

103
ANNUAL REPORT OF THE POSTMASTER GENERAL

Y 4. G 74/9: S. HRG. 103-584

Annual Report of the Postmaster Gen...

HEARING

BEFORE THE

SUBCOMMITTEE ON FEDERAL SERVICES,
POST OFFICE, AND CIVIL SERVICE

OF THE

COMMITTEE ON
GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

ONE HUNDRED THIRD CONGRESS

SECOND SESSION

MARCH 24, 1994

Printed for the use of the Committee on Governmental Affairs



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THURSDAY, MARCH 24, 1994

Hon. Marvin Runyon, Postmaster General and Chief Executive Officer, U.S. Postal Service; accompanied by Michael S. Coughlin, Deputy Postmaster General, Joseph R. Caraveo, Executive Vice President and Chief Operational Officer; Mary S. Elcano, Senior Vice President and General Counsel; and Michael J. Riley, Senior Vice President and Chief Financial Officer	9
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ANNUAL REPORT OF THE POSTMASTER GENERAL

THURSDAY, MARCH 24, 1994

UNITED STATES SENATE,
SUBCOMMITTEE ON FEDERAL SERVICES, POST OFFICE,
AND CIVIL SERVICE, COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, D.C.

The Subcommittee met, pursuant to notice, at 10:05 a.m. in Room SD-342, Dirksen Senate Office Building, Hon. David Pryor, Chairman of the Subcommittee, presiding.

Present: Senators Pryor, Stevens, Cochran, and Coverdell [ex officio].

OPENING STATEMENT OF SENATOR PRYOR

Senator PRYOR. Good morning. Our meeting will come to order. If we look a little bit sleepy this morning, it is because we had to come back down to the Hill about 12:30 and cast a couple of votes, and so it has been kind of a long evening for the Senators involved and perhaps some of you, and we appreciate all of you being here. We want to welcome you.

We especially want to welcome our Postmaster General, Marvin Runyon. This is his second oversight hearing, if I recall. We have a number of issues to discuss here today with the Postmaster General. We think that your tenure thus far, Mr. Postmaster General, has been very eventful and sometimes controversial. It has been that kind of year for the Postal Service.

In fact, Mr. Runyon's entire tenure has been marked, I would say, with non-stop activity and initiative. While concerns have been raised about the results, there is no doubt that the reorganization, along with aggressive advertising, a new logo and increased focus on customer service, have put the Postal Service at the forefront of those Federal entities attempting to reinvent themselves.

It is a period, I think, Mr. Postmaster General and my colleagues, of restructuring and experimentation. It is very timely, and as we approach the end of this century there is some uncertainty as to how the Postal Service will ultimately fit in our Nation's evolving communications landscape. Very simply, the decisions made now will likely determine the basic viability of the Postal Service into the next century.

As we all know, this hearing is required by law, an annual oversight hearing of the U.S. Postal Service. It is especially opportune at this moment because earlier this month the Postal Service Board of Governors approved a request for an across-the-board rate increase of 10.3 percent.

While the business mailers are supportive of this request, it is my understanding that individual postal patrons have expressed their displeasure and concerns for the future. I must confess that I am somewhere in between, Mr. Postmaster General, relieved that a lower request was agreed upon, but apprehensive that the Postal Service may still need an even larger increase in the very near future. So I want us to discuss that this morning, and I know my colleagues will want to enter into that discussion.

I say this frankly because the economic figures are not encouraging. The Postal Service is currently operating well below its projected financial performance goals. The workforce is approaching pre-structuring levels, while overtime hours continue to rise. Unless some real financial improvement is seen over the next year, the 10.3-percent increase may not provide enough revenue for the Postal Service to meet its operating costs in even the first year that these new rates are in effect.

On the brighter side, independent tracking surveys suggest that real progress is being made in some areas. I wish more, but in some areas. The Postmaster General has stressed customer service, I think, like no other Postmaster General in history, and his focus seems to be working its way through the Postal Service.

Unfortunately, there are continuing problems with delivery—we are going to talk about some of those problems this morning—coupled with a number of highly publicized blunders, that have made it especially difficult for the Postal Service to shake its negative image. The only real answer is a sustained level of solid performance over the next several years, which brings us to what I see as the Postal Service's simple but daunting mission, stabilizing its financial position while moving the Nation's mail more efficiently than ever before. This is no easy assignment, but it must be done.

Mr. Postmaster General, you have been here for now 2 years and I am anxious for you to share with us your views of how the Postal Service is doing and what we can expect in the coming year. While there are important issues to address, I do not intend for this hearing this morning to be merely a forum for pessimism or dire predictions. Instead, I hope that we can talk openly and frankly—this is the people's business—about the things that need to be done not only to correct existing problems, but also to reinforce positive trends.

Mr. Postmaster General, we welcome you.

PREPARED STATEMENT OF SENATOR PRYOR

I want to welcome all of you here today. We are pleased to welcome Postmaster General Marvin Runyon to his second oversight hearing before this Subcommittee. We have a number of issues to discuss here today. It has been an eventful and sometimes controversial year for the Postal Service. In fact, Mr. Runyon's entire tenure has been marked by nonstop activity and initiative. While concerns have been raised about the results, there is no doubt that the reorganization, along with aggressive advertising, a new logo, and increased focus on customer service have put the Postal Service at the forefront of those Federal entities attempting to "reinvent" themselves.

This period of restructuring and experimentation is certainly timely. As we approach the end of the century, there is some uncertainty as to how the Postal Service will ultimately fit in our Nation's evolving communications landscape. Very simply, the decisions made now will likely determine the viability of the Postal Service into the next century.

Our hearing this morning is especially opportune because earlier this month, the Postal Service Board of Governors approved a request for an across-the-board rate increase of 10.3 percent. While the business mailers are supportive of this request, individual postal patrons have expressed their displeasure and concern for the future. I must confess that I am somewhere in between—relieved that a lower request was agreed upon—but apprehensive that the Postal Service may need an even larger increase in the very near future.

I say this because, frankly, the economic figures are not encouraging. The Postal Service is currently operating well below its projected financial performance goals. The workforce is approaching pre-restructuring levels, while overtime hours continue to rise. Unless some real financial improvement is seen over the next year, the 10.3 percent increase may not provide enough revenue for the Postal Service to meet its operating costs, for even the first year that those new rates are in effect.

On the bright side, independent tracking surveys suggest that real progress is being made in some areas. Mr. Runyon has stressed customer service like no other Postmaster General in history, and his focus appears to be working its way through the Postal Service. Unfortunately, continuing problems in major delivery areas coupled with a number of highly-publicized blunders have made it especially difficult for the Postal Service to shake its negative image.

The only real answer is a sustained level of solid performance over the next several years. Which brings us to what I see as the Postal Service's simple but daunting mission—stabilizing its financial position while moving the Nation's mail more efficiently than ever before. This is no easy assignment, but it must be done.

Mr. Runyon has now been Postmaster General for almost 2 years. I am anxious for him to share with us his view of how the Postal Service is doing, and what we can expect in the coming year. While there are important issues to address, I do not intend for this hearing to be a forum for pessimism or dire predictions. Instead, I hope that we can talk openly today about the things that need to be done not only to correct existing problems, but also to reinforce positive trends.

Mr. Runyon, I again welcome you. I look forward to hearing your statement.

Senator PRYOR. I yield at this time to my colleague, Senator Stevens. By the way, we are very pleased to have joining us this morning our colleague from Georgia, Senator Coverdell, who has a series of questions and, I am sure, a statement.

Senator Stevens?

OPENING STATEMENT OF SENATOR STEVENS

Senator STEVENS. Well, Mr. Postmaster General, I hope you are more awake than we are. I want to start off by thanking you and the Chairman for agreeing to postpone the hearing. It was scheduled earlier and, as you know, I had a back operation and I did very much want to be here today and be with you at this annual review of your stewardship of the Postal Service.

We get a lot of questions as we travel around the country about the Postal Service, and many people look at it as being in a difficult period. I remember the real difficult periods of the old Post Office Department. Mr. Postmaster General, I think you have tracked to a great extent the changes that come about on the private enterprise scene in the United States. You had a restructuring. You had a very difficult time for yourself and postal employees in terms of meeting some of the changes in technology.

Above all, I do think that you have had a difficult time from the postal meter fraud to other issues you have had to face. There has been the new national air transportation contract. I am sure we are going to have some questions about the executive bonus that ought to go on the record.

But as a practical matter, I want you to know as one who has witnessed now a quarter of century of change in the Post Office Department that I think this period you have been through has been a beneficial one for the future of the United States Postal Service.

We do have challenges, like from my good friend on the right, literally and figuratively, and he has some questions for you. They are healthy, too, but my State still depends upon the United States Postal Service probably more than any other area of the country, as you well know, and I thank you for coming up there last year with your team to look at Alaska.

We do have the duty, I think, to make certain that you have the authority and the basic law and the assistance that we can give you to insure that the Postal Service goes through this transition and comes out of this difficult period. I think before we are through here today, people will understand why we have confidence in your stewardship and why we are very pleased to have an opportunity to go through with you some of the issues that face the great department you head. I am glad to see all of your colleagues with you today. I am sure there are going to be some questions for them, too.

Mr. Chairman, I can't anticipate the questions and concerns that are going to be expressed here this morning, but I do know that this is as good a team running the Postal Service that I have seen in the time particularly since there has been a Postal Service. So thank you for agreeing to be here, Mr. Postmaster General. It is a function required by law of all of us.

Thank you very much, Mr. Chairman.

Senator PRYOR. Thank you, Senator Stevens.

Senator Coverdell, we welcome you.

OPENING STATEMENT OF SENATOR COVERDELL

Senator COVERDELL. Well, Mr. Chairman, I appreciate the opportunity to be here this morning. I have a prepared opening statement and I wonder if I might submit it to the Subcommittee for the record and then make just general statements for a moment or two.

Senator PRYOR. Absolutely.

PREPARED STATEMENT OF SENATOR COVERDELL

Thank you, Mr. Chairman

Let me begin by saying how much I appreciate the opportunity to join you today as this Subcommittee meets to hear the annual report of the U.S. Postal Service from Postmaster General Runyon.

As you know, Mr. Chairman, my interest in today's hearing lies primarily with a little known enforcement practice associated with the Private Express Statutes and used by the United States Postal Service (USPS) to conduct audits and issue fines against private businesses. I know you share my concerns on this matter, as evidenced by your letter with Senator Sasser to the Postal Service dated August 3, 1992. Also like you, Mr. Chairman, I am aware of the concerns voiced by the other side regarding this issue, and I would like to make it clear from the very beginning that the focus of my efforts is not to repeal or damage the Private Express Statutes; it is simply to make them more realistic to today's marketplace.

I first came to this issue in October of 1993, when I read with some surprise that the U.S. Postal Service had been engaged in a practice of auditing and fining private businesses who had used private express mail services instead of the Postal Service's Priority Mail. Reports in the *Memphis Commercial Appeal*, the *Atlanta Constitution* and the *New York Daily News* stated that the Postal Service had audited corporations and fined them as much as \$500,000 in "back postage fees," for shipping non-urgent mail through couriers such as Airborne Express, Federal Express or United Parcel Service. More surprising than the fines, however, was that the Postal Service was the sole arbiter or judge as to what constituted "urgent" mail for the business using private express mail service.

The Postal Service now admits to some 41 audits and fines against private businesses totalling more than \$1 million during the past 5 years.

This practice of auditing and fining private businesses is a classic example of government over-involvement in, and postal bullying of, the private sector. This second-guessing of businesses by the Postal Service was reason enough to raise a red flag about this activity. However, as I looked further, it became clear to me that not only did the Postal Service not have the specific statutory authority to enforce these laws against private businesses, but that the Postal Service was pursuing an issue that should be moot.

To address this matter, I introduced H.R. 1541, the Postal Fairness Act, last October. The legislation is a targeted, specific approach to the problem, prohibiting the Postal Service from fining or otherwise penalizing private businesses who use private carriers to transport letters those businesses deem urgent. To date, this legislation has 10 cosponsors, and similar legislation has been introduced in the House.

In addition, a Sense of the Senate Amendment asking for a temporary suspension of further audits and fines pending the results of a GAO study on the impact of permanently suspending such audits and fines was passed unanimously by the full Senate, with the cooperation of Chairman Pryor.

This issue also has garnered the attention of the *Wall Street Journal*, *Washington Post*, *Washington Times*, *USA Today*, *U.S. News and World Report*, CBS news and scores of regional radio stations and newspapers.

Put simply Mr. Chairman, the issue of postal fairness has reached a critical stage, and I am pleased to have an opportunity to address the matter today.

To reiterate, I believe the Postal Service should cease and desist from these audits for three specific reasons: The Postal Service has no statutory authority to enforce these laws against private business; technological advances have made the issue moot as fax machines, "E" mail, and the information highway take hold; and this action on the part of the Postal Service is a classic example of a Federal "bully government"—a government that should be designed to promote private sector growth, not regulate it to death.

Postal Service as Judge and Jury for Private Businesses

The Private Express Statutes are a group of Federal statutes giving the Postal Service the exclusive right, with some exceptions, to carry letters. Over the years, this monopoly has changed many times to meet changing requirements and realities of mail delivery. In 1978, in response to a public demanding reliable, cost effective overnight service, the Postal Service suspended its monopoly over carriage of certain time-sensitive letters. While this suspension enabled the creation of the overnight delivery business (now a \$20 billion industry annually), it set the stage for the resulting confusion and enforcement abuse that we are discussing at today's hearing.

The suspension has many arbitrary and complex limits over which unsuspecting businesses routinely step. Businesses suspected of sending "non-urgent" letters by private carrier can be visited by Postal inspectors, have their mail operations audited, and have financial penalties imposed. I believe the heart of the problem lies in the fact that the Postal Service has given itself the power to act as policeman, prosecutor, judge and jury in regards to enforcement of these statutes.

Not only has the Postal Service determined what constitutes a letter, but they define what is and isn't "urgent". What is most alarming is that, in large part, the power to "audit and fine" private shippers was not specifically granted to the USPS by the Congress. The Postal Service has extrapolated their ability to create and enforce regulations in this regard.

The Question of Authority

Mr. Chairman, let me make one thing very clear: There is no specific statutory authority, nor case precedent, that enables the Postal Service to search the premises of a private business, nor to fine them for violating the Private Express Statutes without due process. Even the Postal Service seems to concede this point, as they repeatedly claim their efforts to enforce the Private Express Statutes against users are done "voluntarily".

Where the USPS has cited authority to enforce the Private Express Statutes against private users, they have done so only generally, citing general provisions of the Postal Statute 407 (a) (7) and 401 (10). The Postal Service ignores the specific and limited powers in the Private Express Statutes to conduct searches contained in 39 U.S.C. 603. This specific enforcement power extends only to stores and offices of a carrier or transportation company, *not private users*.

With the lack of specific statutory authority, the Postal Service falls back on the "consent" of their target. Although I am not a lawyer, it seems that this statement avoids the fundamental question of whether the consent is freely given. It is my view, after discussing the matter with postal experts and a company in my State which was "audited" by the Postal Service that in most cases it is not. Postal inspec-

tors, cloaked in "officialdom" and flashing badges, often find their way easily past mailroom personnel without consulting higher corporate officials. By confronting businesses (especially those medium size businesses without the benefit of in-house legal counsel) with legalese and government credentials, it seems the Postal Service's veil of "consent" is paper thin, and probably not credible as a point of law.

A Moot Point

What is most distressing about this situation is that the Postal Service is giving itself a public relations black eye, expending costly time and effort, and constraining U.S. business activity in pursuit of what I believe is a moot point.

As I stated earlier, I am not ready to repeal the Private Express Statutes. indeed, my bill is specifically limited to enforcement against private users. It does not take on the Private Express Statutes as a whole.

I do believe, however, that lawmakers need to take into account the competitive environment in which the Postal Service is operating, and the limits that technology already places on the sanctity of the postal monopoly. Technology continues to revolutionize the way we send and receive messages. Messages are sent by the fax machine. The Senate, House, and countless private businesses send messages via "E" mail. We live in a time where nationwide and worldwide computer networks let people interact immediately. On some systems, I understand you can even pay your bills electronically.

So what does the Postal Service hope to accomplish by these audits? Certainly it can't be the money. The Postal Service has "audited" 41 companies, garnering just over \$1 million over the last 5 years. That's only about \$200,000 per year, not taking into account the cost to the Postal Service of conducting these audits—a figure I have asked for but have not received. The Postal Service has an annual budget of about \$46 billion, so certainly \$200,000 a year can't make much of an impact of the Postal Service's ability to deliver the mail.

Is There a Slippery Slope?

The Postal Service claims that if lawmakers remove their ability to enforce the Private Express Statutes, the statutes will become meaningless. Private carriers will come in and skim off the most productive markets, leaving the Postal Service with nothing. Ultimately, far down the slippery slope, the Postal Service will no longer be able to provide universal postal service at a reasonable rate.

Mr. Chairman, I reject this argument for a number of reasons. First, experience shows us that the sanctity of the Private Express Statutes has never depended on enforcement against private users. I would submit to the Subcommittee that the only companies who know or care about these statutes are the 41 who have been audited and fined. To follow this limited enforcement history to the conclusion that businesses will rush to send letters by private carrier once enforcement ceases is simply not borne out by the evidence.

Second, I reject the argument that a monopoly of unlimited scope is necessary to maintain universal postal service at a uniform rate. There have been numerous instances in which this monopoly, crafted in 1845, has been amended or limited. In fact, the Postal Service wrote the "urgent letter" exemption itself in 1978. I believe that making the comparatively minor change of prohibiting enforcement against users would not result in chaos at the Post Office, or a serious threat to its revenue base.

Every time the USPS audits a company, they have a choice. They can choose to go after the carrier (an avenue in which some would argue they have a much stronger statutory footing) or they can go after the user. They routinely choose the user. I believe the basis for this decision lies in the fact that many users are not likely to take the Postal Service to court and test the limits of their authority. Such selectivity is no way to enforce the statutes, if indeed protecting the Private Express Statutes is the ultimate goal of these audits.

An example of Postal Service selectivity is most evident in their efforts to audit the Federal Government. Earlier this year it was reported that the Postal Service had audited five Federal Government Agencies and accused them of infringing on the Postal Services monopoly of express mail by using Federal Express. No fines, however, were levied against these agencies as in audits the Postal Service conducted on private businesses. In fact, the only action taken by the Postal Service was to press the General Services Administration to train Federal mailroom personnel on express mail policies.

This sends a very clear and distinct message. If the Postal Service believes a private business has violated the Private Express Statutes then that business is fined. If, however, the Federal Government violates the same statutes, they are not fined

and provided with training in how to use the Postal Service's Express Mail. Clearly there is a double standard at work.

I strongly believe it is reprehensible that the Postal Service would place one set of rules on the private sector and another, more lenient set, on the Federal Government.

Conclusion

Mr. Chairman, this is a very serious issue that requires Congressional attention. American businesses have better things to do than comb through pages of complex cost and time thresholds every time they want to send a letter. The Postal Service has better things to do than engage in a questionable enforcement process that yield little or no practical benefit. Let's let American business get back to what they do best, and let the Postal Service get back to delivering the mail.

Senator STEVENS. I would also include mine for the record.

Senator PRYOR. Yes, sir.

PREPARED STATEMENT OF SENATOR STEVENS

Thank you, Mr. Chairman. I appreciate your scheduling this hearing with the Postmaster General at a time when I could attend. Mr. Runyon, it is good to see you again.

This has been a difficult period for the Postal Service—the discovery of meter fraud which results in loss of income, concerns about the advisability of instituting a new official logo and the costs associated with that change, controversy surrounding a new national air transportation contract, questions about the advisability of instituting an executive bonus program at a time when expenses are higher than anticipated.

The recent restructuring of the Postal Service was a difficult process, for both management and employees. The stated purpose was to streamline operations and save money. However, there appears to be a return to prerestructuring employment levels and increased overtime costs, which are disturbing.

The timing of this hearing is particularly appropriate. The Postal Service has just requested an increase in the price of stamps from 29 cents to 32 cents for a First-Class letter, with similar increases in rates for most other classes of mail. I expect that we will hear more about the justification for that decision from Mr. Runyon this morning.

I look forward to hearing the Postmaster General's prepared remarks as I expect he will attempt to anticipate many of the questions and concerns which will be expressed during the course of this hearing. This should be an interesting morning!

Senator COVERDELL. Mr. Postmaster General, I know that you and scores of loyal colleagues are very dedicated to the service that the Postal Service provides the United States. As is well known, there has been an area of disagreement between myself and the Postal Service, and it deals with the audits that the Postal Service has engaged in over the last 5 years with regard to private businesses' utilization of private carriers. I guess examples that everybody understands, not to advertise for them, would be Federal Express or UPS. However, there are a number of these types of carriers.

I have several quick points to make about it. I do not think the exercise has been fruitful for the Postal Service. As has been alluded to here, you are having some difficulties with your public posture as it is, and it seems to me as a former businessman that the exercise is creating more damage than good and is not contributing substantially to your suggestion that it protects the monopoly that provides for universal mail.

The reason I say that is you are not collecting enough money to substantiate the protection of universal mail delivery. So then the next point would probably be, well, but you are educating with regard to the enforcement of the practice. That is not really being accomplished. We might think so in this bright-lighted conference

room, but the majority of American businesses are not engaged in this hearing this morning and have not followed with specific focus the discussion that has appeared, limited as it is, in the media. So I think in terms of the financial impact, it is relatively moot.

To engage in true education which would be fair, for a government to impose this kind of enforcement is simply cost-prohibitive. I don't believe you could find any audience of business persons and ask them if they understand what is required here—if you got 1 percent that did, I would fall off my chair. I think you have not provided the education with regard to your view of this, nor do I believe you can afford to do it. So the only thing I think you are accomplishing is negative public reaction, adding to other problems that are far more important.

You also have applied two sets of standards. If the Government or entities of the Government are engaged in utilization of private carriers, your response has been to engage in an education program, whereas if you are dealing with a private business, you have engaged in an audit, an onerous imposition, and a financial contract. You say it is not a fine, but anybody on the other end of it would view it as a punishment or an imposition, and so you have got two sets of standards.

I don't believe you have the authority to do it. Now, you, in my judgment, have the authority to audit or inspect the private carriers, but I don't believe you have the authority to engage in the activity which you are doing to private business. I think there is broad room for dispute there, but I think you have taken great latitude, or the Service has.

The last point that I would like to make before we proceed, Mr. Chairman, is that I think the whole effort is moot. I will use my office as an example. We receive about 5 to 700 letters a day, but I receive over 1,000 faxes, personal messages, a day. We receive hundreds of messages through computer systems. Are we going to put a meter on fax machines? Are we going to create some sort of new system to meter computer internets?

The communication of personal messages is changing, and the current systems we are using in historical perspective are very short-lived. The effort and energy would be far better spent trying to make customers comfortable with the Service, desirous of using the Service, than to engage in making the Government a blunt instrument pounding on American business, with no real financial reward, no real educational accomplishment and a black eye.

Many of the individuals in your Service have suggested that this is a broad-based attack on the monopoly. It is not. It is an effort to disengage an activity that I see producing virtually no positive effect for our Government, for the Postal Service, and for the productivity of our businesses.

Mr. Chairman, I will conclude with that, and then I assume you will go to some questions later.

Senator PRYOR. Thank you, Senator Coverdell. Later in our meeting, I will comment, Mr. Postmaster General, on some of the remarks of Senator Coverdell. Some of those, I must say I find myself in agreement with.

Mr. Postmaster General, we look forward to your statement. By the way, we do welcome all of your colleagues who are sitting with

you at the table and we will have them properly identified for the record. If you would like to, you might properly identify them right now for the record.

TESTIMONY OF THE HON. MARVIN RUNYON, POSTMASTER GENERAL AND CHIEF EXECUTIVE OFFICER, U.S. POSTAL SERVICE; ACCOMPANIED BY MICHAEL S. COUGHLIN, DEPUTY POSTMASTER GENERAL; JOSEPH R. CARAVEO, EXECUTIVE VICE PRESIDENT AND CHIEF OPERATING OFFICER; MARY S. ELCANO, SENIOR VICE PRESIDENT AND GENERAL COUNSEL; AND MICHAEL J. RILEY, SENIOR VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

Mr. RUNYON. Thank you, Mr. Chairman. With me this morning are Mike Coughlin, our Deputy Postmaster General; Joe Caraveo, our Chief Operating Officer and Executive Vice President; Mary Elcano, our Senior Vice President and General Counsel; and Mike Riley, Chief Financial Officer and Senior Vice President.

Senator PRYOR. We welcome all of you.

Mr. RUNYON. We welcome the opportunity to be here today and represent the 700,000 career employees of the U.S. Postal Service. It has been a busy year for us since our last hearing before this Committee. Last March, we were in the midst of some big changes, changes in our structure, our finances, our working relationships and or direction, changes designed to make us more business-like and effective in an increasingly competitive industry.

We have come through that period of change successfully. We have focused on our three corporate goals, commitments we have made to our customers, our employees, and our financial bottom line, and we have made some important progress in reinventing our part of Government in the past 12 months.

We have now completed our restructuring of the Postal Service, eliminating layers of bureaucracy and cutting overhead positions without resorting to layoffs. These changes have helped us become more responsive to our customers and employees, and will save us more than \$1 billion annually. We have closed out fiscal year 1993 in better financial shape than expected. We beat our revised financial plan by \$20 million and broke even in operating costs under our control. We did have some extra charges of \$537 million for debt refinancing, OBRA charges of \$1.1 billion, and revenue forgone of \$318 million. The debt refinancing will yield to the Postal Service \$2.2 billion over the next 20 years.

We have also worked to keep stamp prices low and competitive for our customers. As you know, we deliver 40 percent of the world's mail, and our \$.29 First-Class rate is the lowest in the industrialized world, as we have shown on this chart over here on the right.

Through the efforts of our employees, we have been able to extend our traditional 3-year rate cycle and keep our rates stable for a record of 4 years. However, like all companies, our costs have gone up since 1991. As a result, 2 weeks ago we filed a new rate proposal with the Postal Rate Commission to take effect in 1995. It is a lean, challenging proposal that puts our customers first.

At 10.3 percent, it is the smallest increase we have requested in 25 years, more than 2 percentage points below inflation and half

of what the industry was expecting only last fall. It is essentially across the board, fair for all types of customers, and it is supported by a wide cross-section of mailers.

By extending our rate cycle an extra year and seeking a \$.32 stamp in 1995 instead of the previously expected \$.35 stamp this year, we are saving postal customers \$14 billion through 1996. That includes a savings of approximately \$300 million to the Federal Government in postage and other fees.

As I said though, our proposal represents a challenge for us. Traditionally, it is tough going in the last year of a rate cycle, and at 4 years this one is clearly stretching tradition. We are going to have to do a good job of controlling our costs and working with customers to build our business, while improving service quality.

So far this year, mail volume is growing in line with the economy, led by double-digit gains in parcel post and priority mail. However, overall, we have not lived up to the tough financial targets we set for ourselves in 1994. Operating costs are over plan by 2.4 percent and we are under our net income target by \$473 million.

A number of factors have impacted our performance. In some places, it has taken longer than we would have liked to get new employees hired, trained and in place to offset retirements, and that has pushed work hours up and overtime up. Staffing-wise, we feel we are in pretty good shape now. We now have about 26,000 fewer career employees than before the restructuring and more temporary employees. So our management flexibility is much better. Our field managers are working to reduce overtime and work hours.

It has also been a hard winter. The record low temperatures, the ice and the snow, and the earthquake and the after-shocks in Los Angeles have made getting the mail to the mail box difficult and expensive in some parts of the country. I am proud of the efforts made by our employees. Many of them have dug their way out from under the snow and debris to serve their neighbors. Despite their efforts, mother nature took her toll. From January 8th through March 4th, we estimate that the weather constraints cost us \$151 million.

However, I believe we are on track to turn the corner on our finances. I am monitoring our operating performance daily. I am in the process of visiting each of our areas and meeting with our field managers to discuss their action plans. Mike Riley and his staff are briefing me each week on our results, trends, and the things being done to improve our performance.

We are also working to reduce our overall operating costs, while protecting or improving service. A good example of that is the new contracts we signed with the Nation's airlines to transport our mail. Airlines that delivery high-quality performance for us and our customers will be rewarded with more of our business. These new market-based rates will save postal customers \$60 million a year.

Despite short-term financial pressures, we are working hard to maintain overall service quality and we have seen some positive results. Customer satisfaction reached record levels in 1993. These approval ratings are confirmed by recent Roper reports. The Postal Service continues to be ranked first by a wide margin, compared

to the 13 Cabinet-level agencies, with a 70-percent favorable rating, and you can see that on the chart closest to you. We are also the only agency in the survey to improve our rating since the last poll.

On-time delivery of overnight First-Class mail was essentially steady in our first quarter. However, preliminary quarter two data shows a drop in service. Weather-related failures have compounded the effects of the other problems that I mentioned earlier.

Certainly, there is room for improvement. We are working to eliminate bottlenecks and simplify processes. We are back on track to deploy remote encoding equipment and we are adding delivery point sorting equipment at the rate of 20 pieces per week. We are continuing to expand retail hours, add independent measures systems, simplify procedures, and introduce new convenience features for our customers. In sum, we are working to improve our service and satisfy more of our customers.

Last year, the Committee expressed its concerns about Priority Mail service quality. We immediately stopped advertising our 2-day service target and we will not resume it until we can meet it with a high degree of consistency. We have not yet achieved that objective, but we are working to reach it. We have upgraded some of our transportation. We are adding sorting equipment to speed handling, and we are working to better identify the areas where we can assure 2-day delivery. We remain committed to improving Priority Mail service, a premium product and one that is important to our customers.

The key to continued improvement and future success is our people. In the past 20 months, we have done a better job demonstrating our commitment to employees. Experts say it can take up to 7 years to change an organization as big as the Postal Service, and we plan to do it in 5. We are making our executives more accountable to their employees with a 360-degree feedback process.

We have conducted the world's largest employee opinion survey to understand how our people feel about their working environment. The survey data is also helping us to identify changes we need to make to foster higher commitment. The data from the latest survey showed improvement in most categories, a vote of confidence in the system-wide changes that we have made thus far, and I can feel a greater sense of teamwork and cooperation.

The union and management association presidents are now full members of our top leadership team, helping to guide the future direction of the Postal Service, and we have been able to reach agreement with our employee organizations on issues like the deployment of remote encoding. Now, we will be able to improve our productivity with new technology, and do so with the help of our employees and the full support of our largest labor union. We are working to extend that sense of teamwork and cooperation down into the organization.

Nevertheless, there are a number of challenges that remain. We are working to once again pick up the pace of change, make strides toward our three goals, and raise our performance to the next level. One step we have taken is in the area of compensation. When it comes to Government jobs, it has been long said that the only reward for good work is more work. Earlier this month, we intro-

duced a program of performance-based incentives for our 969 executive-level employees for 1994. This is a very progressive program, the first of its kind in the Federal Government. It is based on approaches that have long been successful in the private sector.

Instead of across-the-board bonuses or subjective individual achievement awards, the incentives reward teamwork and organizational success. No pay-outs are made under this program unless the Postal Service meets its financial targets. Our performance cluster teams also must reach certain levels in all three goals before qualifying for a local performance award. One goal cannot be achieved at the expense of the others, and customer satisfaction and treatment of employees are very heavily emphasized.

I think these business-tested incentives will help us improve our short- and long-term performance. We have introduced the concept with our executives and I would like to see us take this same approach toward compensation at all levels of the Postal Service.

We also have to focus on improving and increasing our core business, while keeping in touch with the changing needs of our customers, and that is no easy task. The Postal Service is America's first information superhighway, with 123 million information channels as close as their mail box. None of us should lose sight of the fact that the residences and businesses of our Nation depend on us to communicate and do business.

The foundation for this common carrier information superhighway remains the private express statutes. They protect customers and the universal delivery system that has served our Nation for more than 2 centuries. They prevent competitors from skimming off financially profitable locations and jeopardizing our ability to serve every American from Juneau, Alaska, to Juniper, Georgia, all at the same price.

Lately, there has been some media coverage about some mail room audits performed by our Inspection Service. These stories have too often painted an inaccurate picture of what has happened and why these audits are conducted, and I would like to try to correct that impression.

The Postal Service does not conduct random audits of company mail rooms. The audits we do perform are initiated by complaints of customers or concerns raised in the course of other investigations. Sometimes, a business will ask for a voluntary review of their mailing operations to ensure that they are complying with private express statutes.

We are not out to coerce businesses, only to seek voluntary compliance with the statutes. We have levied no fines or penalties. When there is substantial evidence of past violations, we try to identify and collect the postage owed to us in the future. These audits are few and far between. We have about 10 million business customers. In the past 5 years, the Inspection Service has audited a total of only 41 companies, including 13 in 1993.

However, I can appreciate the concerns raised by some of the members about the appearance of these actions. I can assure you that our efforts to build our business are not based on audits by postal inspectors. That is not our intention or desire. Therefore, we have decided that the Inspection Service will no longer take the lead in conducting these types of audits.

Where called for, our marketing professionals will meet with customers to explain any laws and regulations, and offer whatever help we can to serve their mailing needs. If any member or customer continues to have a concern or feels we are misapplying any rule or regulation, we will be glad to sit down with them and discuss it.

We are committing to growing our business with quality service at competitive prices. Change is having a dramatic effect not just on the Postal Service, but on the communications industry as a whole. Customers' needs and expectations continue to evolve. The mail remains the most pervasive means of communication and commerce available to our Nation, but technology and other companies continue to challenge us with new alternatives. The competition is stiff, coming at us in all seven major facets of our business—correspondence and transactions, advertising, expedited delivery, standard parcel, international mail, publications, and retail services.

As far as I am concerned, competition is good. It is pushing us to improve and to look ahead to the next century and the next generation of communications products that our customers will need. The future of communications is taking shape, but it is hard to tell which way things are going. Right now, industry alliances and product concepts are well ahead of customer interest. Residential customers are still focused on familiar products like movies on demand, and Roper reports data indicate that their interest in expanded use of computers to pay bills, file taxes and send electronic mail has flattened and in some cases declined.

However, once an electronic infrastructure is in place, we see the communications needs of our customers evolving, particularly among businesses, as more information and messages move electronically. We can and should make a contribution to this effort.

After more than 2 centuries of service to the American people, we are a trusted third party for millions of businesses and residences. We have a strong technological base, with experience in high-speed electronic recognition, message interchange, material handling, and infrastructure maintenance.

The National Performance Review team has asked us to take an important step in providing electronic information to the public on behalf of the Federal Government. We are working with other organizations to develop an interactive information kiosk and provide a platform that can be used by other Federal agencies to serve their customers.

There may be other ways we can contribute. Working with other Federal agencies, we may be able to help develop an electronic commerce system. Perhaps our lobbies could be used as on-ramps, providing access to anyone who wants to be on the electronic superhighway, or maybe we can help certify electronic messages and safeguard their privacy, securing one company's market-sensitive information from the intruding eyes of its competitors.

It is early yet and hard to know what lies ahead. The technologies and its possibilities, the strategic alliances and the information interests and needs of potential customers are still evolving, but change is inevitable and we are working to make change and improvement part of our way of life. I look forward to returning to

this Committee with our ideas when our staff work is completed and we have the insights and support of our Board of Governors.

In the meantime, we will be working to improve the information superhighway that we have, focusing on listening to and satisfying the needs of our customers, improving our finances, and demonstrating our commitment to employees. We see a continuing need for a nationwide hard-copy mail system well into the future, and the better job we do, the more value the mail will represent and the more likely people will continue to use the trusted, reliable and economical mail.

Thank you, Mr. Chairman. That concludes my remarks.

PREPARED STATEMENT OF MR. MARVIN RUNYON

Thank you, Mr. Chairman.

With me this morning are Mike Coughlin, Deputy Postmaster General; Joe Caraveo, Executive Vice President and Chief Operating Officer; Mary Elcano, Senior Vice President and General Counsel; and, Mike Riley, Senior Vice President and Chief Financial Officer. We welcome the opportunity to be here today and represent the 700,000 career employees of the U.S. Postal Service.

It has been a busy year for us since our last hearing before this Committee. Last March, we were in the midst of some big changes . . . changes in our structure, our finances, our working relationships, and our direction . . . changes designed to make us more businesslike and effective in an increasingly competitive industry.

We have come through that period of change successfully. We have focused in on our three corporate goals—commitments we have made to our customers, our employees, and our financial bottom line, and we have made some important progress in reinventing our part of government in the past 12 months.

We have now completed our restructuring of the Postal Service, eliminating layers of bureaucracy and cutting overhead positions without resorting to layoffs. These changes have helped us become more responsive to our customers and employees, and will save us more than \$1 billion annually.

We closed out Fiscal Year 1993 in better financial shape than expected. We beat our revised financial plan by \$20 million, before the extra charges of \$537 million for debt refinancing and \$857 million for OBRA, and a shortfall in revenue forgone of \$318 million. However, the debt refinancing will pay significant dividends for years to come.

We have also worked to keep stamp prices low and competitive for our customers. As you know, we deliver 40 percent of the world's mail, and our 29-cent First-Class rate is the lowest in the industrialized world, as shown here. Through the efforts of our employees, we have been able to extend our traditional 3-year rate cycle and keep our rates stable for a record 4 years.

However, like all companies, our costs have gone up since 1991. As a result, 2 weeks ago we filed a new rate proposal with the Postal Rate Commission, to take effect in 1995. It is a lean, challenging proposal that puts our customers first. At 10.3 percent, it is the smallest increase we have requested in 25 years, more than two percentage points below inflation, and half of what the industry was expecting only last fall. It is essentially across the board, fair for all types of customers. And, it is supported by a wide cross-section of mailers.

By extending our rate cycle an extra year and seeking a 32-cent stamp in 1995 instead of the previously expected 35-cent stamp this year, we are saving postal customers \$14 billion through 1996. That includes a savings of approximately \$300 million to the Federal Government in postage and other fees.

As I said, though, our proposal represents a challenge for us. Traditionally, it is "tough going" in the last year of a rate cycle, and at 4 years, this one is clearly stretching tradition. We are going to have to do a good job of controlling our costs and working with customers to build our business, while improving service quality.

So far this year, mail volume is growing in line with the economy, led by double-digit gains in Parcel Post and Priority Mail. However, overall we have not lived up to the tough financial targets we set for ourselves in 1994. Operating costs are over plan by 2.4 percent, and we are under our net income target by \$473 million.

A number of factors have impacted our performance. In some places, it has taken longer than we would have liked to get new employees hired, trained, and in place to offset retirements, and that has pushed work hours and overtime up. Staffing-wise, we feel we are in pretty good shape now. We now have about 26,000 fewer

career employees than before restructuring, and more temporary employees, so our management flexibility is much better. Our field managers are working to reduce overtime and work hours.

It has also been a hard winter. The record low temperatures, the ice and snow, and the earthquake and aftershocks in Los Angeles have made getting the mail to the mailbox difficult and expensive in many parts of the country. I am proud of the efforts made by our employees. Many of them dug their way out from under the snow and debris to serve their neighbors. Despite their efforts, Mother Nature took her toll. From January 8 through March 4, we estimate that weather constraints cost us \$151 million.

However, I believe we are on track to turn the corner in our finances. I am monitoring our operating performance daily. I am in the process of visiting each of our areas, and meeting with our field managers to discuss their action plans. And Mike Riley and his staff are briefing me each week on our results, trends, and the things being done to improve our performance.

We are also working to reduce our overall operating costs while protecting or improving service. A good example of that are the new contracts we signed with the nation's airlines to transport our mail. Airlines that deliver high-quality performance for us and our customers will be rewarded with more of our business. These new market-based rates will save postal customers \$60 million a year.

Despite short-term financial pressures, we are working hard to maintain overall service quality, and we have seen some positive results. Customer satisfaction is again at record levels, with 89 percent of American households approving of their local service. And these approval ratings are confirmed by recent Roper Reports. The Postal Service continues to be ranked first by a wide margin among Federal agencies with a 70-percent favorable rating, as you see here. We were also the only agency in the survey to improve our rating since the last poll.

On-time delivery of overnight First-Class Mail was essentially steady in our first quarter. However, preliminary Quarter II data shows a drop in service. Weather-related failures have compounded the effects of the other problems I mentioned earlier.

Certainly there is room for improvement. We are working to eliminate bottlenecks and simplify processes. We are back on track to deploy Remote Encoding equipment, and we are adding delivery point sorting equipment at a rate of 20 pieces per week. We are continuing to expand retail hours, add independent measurement systems, simplify procedures, and introduce new convenience features for our customers. In sum, we are working to improve our service and satisfy more of our customers.

Last year, this Committee expressed its concerns about Priority Mail service quality. We immediately stopped advertising our two-day service target, and we will not resume it until we can meet it with a high degree of consistency. We have not yet achieved that objective, but we are working to reach it. We have upgraded some of our transportation. We are adding sorting equipment to speed handling, and working to better identify the areas where we can assure two-day delivery. We remain committed to improving Priority Mail service—a premium product, and one that is important to our customers.

The key to continued improvement and future success is our people. In the past 20 months, we have done a better job demonstrating our commitment to employees. Experts say that it can take up to 7 years to change an organization as big as the Postal Service—we plan to do it in 5.

We are making our executives more accountable to their employees with our "360-degree Feedback" process. We have conducted the world's largest employee opinion survey to understand how our people feel about their working environment. The survey data is also helping us to identify changes we need to make to foster higher commitment. The data from the latest survey showed improvement in most categories, a vote of confidence in the systemwide changes we have made thus far. And I can feel a greater sense of teamwork and cooperation. The union and management association presidents are now full members of our top level "Leadership Team," helping to guide the future direction of this organization. And we have been able to reach agreement with our employee organizations on issues like the deployment of Remote Encoding. Now, we will be able to improve our productivity with new technology and do so with the help of our employees and the full support of our largest labor union. We are working to extend that sense of teamwork and cooperation down into the organization.

Nonetheless, there are a number of challenges that remain. We are working to once again pick up the pace of change, make strides toward our three goals, and raise our performance to the next level.

One new step we have taken is in the area of compensation. When it comes to government jobs, it has long been said that the only reward for good work is more

work. Earlier this month, we introduced a program of performance-based incentives for our 969 executive-level employees for 1994.

This is a progressive program, the first of its kind in Federal Government. It is based on approaches that have long been successful in the private sector. Instead of across the board bonuses or subjective individual achievement awards, the incentives reward teamwork and organizational success. No pay-outs are made under this program unless the Postal Service meets its financial targets. Our Performance Cluster teams also must reach certain levels in all three goals before qualifying for a local performance award. One goal cannot be achieved at the expense of the others, and customer satisfaction and treatment of employees are heavily emphasized.

I think these business-tested incentives will help us improve our short- and long-term performance. We introduced the concept with our executives, and I would like to see us take this kind of approach toward compensation at all levels of the Postal Service.

We also have to focus on improving and increasing our core business, while keeping in touch with the changing needs of our customers. That is no easy task. The Postal Service is America's first information superhighway, with 123 million information channels as close as the mailbox. None of us should lose sight of the fact that the residents and businesses of our nation depend on us to communicate and do business.

The foundation for this common carrier information superhighway remains the Private Express statutes. They protect customers and the universal delivery system that has served our nation more than two centuries. They prevent competitors from skimming off financially profitable locations and jeopardizing our ability to serve every American—from Juneau, Alaska, to Juniper, Georgia—all at the same price.

Lately, there has been some media coverage about some mailroom audits performed by our Inspection Service. Those stories have too often painted an inaccurate picture of what has happened and why these audits are conducted. I would like to correct that impression.

The Postal Service does not conduct random audits of company mailrooms. The audits we do perform are initiated by complaints of customers or concerns raised in the course of our other investigations. Sometimes, a business will ask for a voluntary review of their mailing operations to ensure they are complying with the Private Express Statutes. We are not out to coerce businesses, only to seek voluntary compliance with the Statutes. We have levied no fines or penalties. When there is substantial evidence of past violations, we try to identify and collect the postage owed to us in the future. These audits are few and far between. We have about 10 million business customers. In the past 5 years, the Inspection Service has audited a total of only 41 companies, including 13 in 1993.

However, I can appreciate the concerns raised by some of the Members about the appearance of these actions. I can assure you that our efforts to build our business are not based on audits by Postal Inspectors. That is not our intention or desire.

Therefore, we have decided that the Inspection Service will no longer take the lead in conducting these types of audits. Where called for, our marketing professionals will meet with customers to explain any laws and regulations, and offer whatever help we can to serve their mailing needs. And if any Member or customer continues to have a concern or feels we are misapplying any rule or regulation, we will be glad to sit down with them to discuss it. We are committed to growing our business—with quality service at competitive prices.

Change is having a dramatic effect not just on the Postal Service but on the communications industry as a whole. Customer needs and expectations continue to evolve. The mail remains the most pervasive means of communication and commerce available to our nation, but technology and other companies continue to challenge us with new alternatives.

The competition is stiff, coming at us in all seven major facets of our business: correspondence and transactions, advertising, expedited delivery, standard parcels, international mail, publications, and retail services. As far as I am concerned, competition is good. It is pushing us to improve, and to look ahead to the next century and the next generation of communications products our customers will need.

The future of communications is taking shape, but it is hard to tell which way things are going. Right now, industry alliances and product concepts are well ahead of consumer interest. Residential customers are still focused on familiar products like movies on demand, and Roper Reports data indicates that their interest in expanded use of computers to pay bills, file taxes, and send electronic mail has flattened, and in some cases declined.

However, once an electronic infrastructure is in place, we see the communications needs of our customers evolving, particularly among businesses as more information and messages move electronically.

We can and should make a contribution to this effort. After more than two centuries of service to the American people, we are a trusted third party for millions of businesses and residents. We have a strong technological base, with expertise in high-speed electronic recognition, message interchange, material handling, and infrastructure maintenance.

The National Performance Review team has asked us to take an important step in providing electronic information to the public on behalf of the Federal Government. We are working with other organizations to develop an interactive information kiosk, and provide a platform that can be used by other Federal agencies to serve their customers.

There may be other ways we can contribute. Working with other Federal agencies, we may be able to help develop an electronic commerce system. Perhaps our lobbies could serve as "on-ramps," providing access to anyone who wants to be on the electronic superhighway. Or, maybe we can help certify electronic messages and safeguard their privacy, securing one company's market-sensitive information from the intruding eyes of its competitors.

It is early yet and hard to know what lies ahead. The technology and its possibilities, the strategic alliances, and the information interests and needs of potential customers are all still evolving. But change is inevitable, and we are working to make change and improvement part of our way of life. I look forward to returning to this committee with our ideas when our staff work is completed and we have the insights and support of our Board of Governors.

In the meantime, we will be working to improve the information superhighway that we have, by focusing on listening to and satisfying the needs of our customers, improving our finances, and demonstrating our commitment to employees. We see a continuing need for a nationwide hardcopy mail system well into the future. And the better the job we do, the more value the mail will represent, and the more likely people will continue to use the trusted, reliable, and economical mail.

Thank you, Mr. Chairman. That concludes my prepared remarks.

Senator PRYOR. Thank you, Mr. Postmaster General. I am going to ask just two or three basic questions and then we will yield to our colleagues here. I will yield to them, but I want to first ask about—the 1992 downsizing of the Postal Service. It was fairly severe, but I must say that I supported your efforts. I think some very courageous steps were taken. Now, the problem is, though, after downsizing the Postal Service and having a fewer number of employees in the Service, we add 27,000 employees in 1993. What is your assessment of this, Mr. Postmaster General?

Mr. RUNYON. What is going on is we are growing.

Senator PRYOR. I know we are growing in number of employees. Are we growing in productivity?

Mr. RUNYON. We are growing in volume and we are growing in productivity, too. I think last year it was over 3 percent growth.

Senator PRYOR. Now, what kind of growth? Is this the First-Class—

Mr. RUNYON. That is like 5 billion pieces of mail, in addition to what we had the year before. Now, I don't know all the classes of that growth, but we deliver 171 billion pieces of mail and that grows every year. When I first came to the Postal Service—I guess it was 20 months ago—we were talking about 150-some-odd billion pieces. Now, we are up to 171 billion pieces, and that takes people to do that, so we have got growth because of that.

Senator PRYOR. I am going to proceed just for another 3 minutes. We are going to start our clock, also, but then we are going to yield to Senator Stevens for a 10-minute period, Senator Coverdell for a 10-minute period, and then I will come back with more questions, but I just have a couple more questions relative to this.

Now, overtime cost is up. Isn't it up pretty dramatically?

Mr. RUNYON. Yes, it is up, and it is up because of the retirements we had. You know, when we put the retirement program in effect, we expected 40,000 people to retire, but the incentive perhaps was too good and we had 48,000 people who did retire. Some of those had to be hired back because we only wanted to eliminate 30,000 positions. A lot of the people that we lost were people like experienced letter carriers and experienced clerks. What we really wanted to leave was the management hierarchy, so we had to make some changes.

In doing that, we had to train people and we had to hire extra people to do the jobs that experienced people were doing. When you hire a brand new person to come in, it takes a while to learn a job in the Postal Service. Our jobs are not simple. A lot of people have the idea that all we do is just put the mail in the sack and then go out and put it in the mail box. It is not quite that simple. It is very complicated, complex work that our employees do.

So, yes, our overtime has been high, our work hours have been high. We are starting to see those reduce in the last periods of our reporting and we expect to see them reduce even more.

Mr. RILEY. Can I make a comment?

Senator PRYOR. Yes, Mr. Riley.

Mr. RILEY. Our revenue for the first 6 months of this year is up approximately 3.8 percent. Our total work hours are up 3.7 percent, almost exactly in concert, despite the fact that we have had the most severe weather that we can imagine in the past 25-or-so years. We have had tremendous ice storms. We have identified roughly \$150 million worth of costs that have gone directly toward paying for extra things that have been result of the very severe winter that was not in the budget.

A lot of the confusion comes because of having career people retire and hiring new career employees at the low end of the salary scale, thereby replacing either overtime or temporary hours. So it is easy to be confused, but the facts of the matter are that there is not an unusual gain in work hours.

Senator PRYOR. Thank you, Mr. Riley. Thank you for that observation.

I am going to yield in just a moment, but when I come back to my second round of questions I am going to start off by talking about the tremendously heavy burden, I think, that your plan is going to impose or attempt to impose upon what I call the country newspapers. I used to be a country newspaper editor and I am very sensitive to their plight out there, and we will talk about that momentarily.

Now, for a 10-minute period, Senator Stevens.

Senator STEVENS. Well, that just eliminated one of my questions. So you can take care of that one, then, right?

You mentioned in your opening statement the fact that you had reduced your permanent employee levels and now have temporary employment levels. That was all related to the restructuring. Have you completed the restructuring process?

Mr. RUNYON. We have completed what we set out to do as far as restructuring is concerned. I have to say this, and this is something that concerns people in the Postal Service every time I say it. Change is inevitable and as we find better ways of doing things

and a better way to structure ourselves, we would certainly avail ourselves of that opportunity. I don't have anything right now on the books that would be of that nature, though.

Senator STEVENS. My mail is slowing down on the subject of change. We were all hearing from postal employees, I am certain. Is there any indication that the restructuring has actually saved money, Mr. Postmaster General?

Mr. RUNYON. Yes. It is saving \$1 billion a year by having less hierarchy than we had.

Senator STEVENS. We usually use full-time equivalent concepts. You don't use that, do you? Temporary employees are listed by number. Do you have full-time equivalent numbers that we could compare?

Mr. RUNYON. I would have to ask Mike Riley to answer that question.

Senator STEVENS. Mr. Riley, we notice you are here for the first time and we are happy to have your participation.

Mr. RILEY. Thank you. We generally look at total work hours rather than full-time equivalents. What has happened in the restructuring is we have taken administrative workload out and used work hours to go up with the increased volume of mail as that has gone up.

Senator STEVENS. Those worker numbers, though, don't have any indication of how many hours each one is working. That is why we went to the full-time equivalent concept in dealing with the normal Federal agencies, but you don't have that concept in your accounting?

Mr. RILEY. No, we don't use that concept. We use work hours instead. We think that is more indicative.

Senator STEVENS. From the point of view of payroll in terms of reducing the permanent employees and going to temporary, has there been an actual saving to the system?

Mr. RUNYON. Yes, there has been an actual saving to the system because the people that retired who had been here—well, some had been here 20 years and retired. Those who were 50 years old and had 20 years were able to retire. People who had been here longer than that were able to retire. They were all at the very high end of their income range. As we hire people, whether they are career people or whether they are of a temporary nature, of course, the pay is less.

Mr. RILEY. It is also a key item in the transition as part of the automation strategy that the Postal Service has. When you have jobs that you know are going to be a short time and are part of transition to automation, it makes sense to have someone that has a temporary assignment as opposed to a full-time assignment and, yes, we have saved a dramatic amount of money with that. These workers are producing for us at a good rate, and the Postmaster General's \$1 billion is an excellent estimate.

Senator STEVENS. One of the concepts involved in restructuring, as I understand it, was the divided responsibility between customer service and mail processing, with coequal leaders on both teams. That has led to some conversations I have had at home. Do you have an analysis yet of whether that is working?

I will tell you, frankly, I have never really liked working with co-heads. Someone has got to be in charge, particularly in a local area. How is it really working out to have a divided responsibility between the customer service and the mail processing?

Mr. RUNYON. We have 85 performance clusters around the country and it is working very well in 50 of them and we have got 35 it is not working very well in, and there are a lot of reasons for that. What we did is we had one person who was responsible for all the automation, distribution and the processing of the mail, and also delivery and customer service and sales. A lot of people who knew about sales and service, that is what they worked on, and when the automation came in somebody else did that and it wasn't followed as closely as it should have been.

We have a lot of people that know a lot about automation, and so when the automation came in there they spent their time working on the automation and were not as concerned about customer service as they should have been. So what we did was accept the fact that we had people with different skills, and we assigned the people with the skills in processing and distribution into that side of the house and we assigned people with the skills to deal with customers into that side of the house. They have always had to work together and they still have to work together.

As I said before, we are trying to get people to understand about teamwork, to learn about how to be facilitators and not be autocratic bosses. One of the problems in the Postal Service, as I see it, is that it has been too autocratic in the past and we need to fix that. We can't have an organization that is as autocratic as the Postal Service has been, and I think it is working very well. We have had some cases where people didn't work well together and we had to make some changes. So I think, all in all, it is working well.

Senator STEVENS. Mr. Postmaster General, I am going to get another round here, and I want to apologize, but I have to go to another committee that is talking about National Guard matters. But I will come back by the time my good friend, the Chairman, is finished.

I just want to take you for a little bit of a tour. That obviously is a map showing the United States, what we call the south 48, and overlay of the State of Alaska, to scale. It demonstrates some of the problems we have had with dealing with my State, and I know that people in your organization have been very worried about the concept of the cost in Alaska. We have had some discussion about that.

We have 600,000 people, roughly, in an area that is one-fifth the size of the total land mass of the United States. We have one major road system from south central Alaska up to Fairbanks, and then down to the south 48. The other system we have, of course, is the ferry system that operates primarily in the southeastern part of Alaska and down to Kodiak and through some portions of the Prince William Sound area. But, basically, we rely on air transportation and, by definition, air transportation costs more in Alaska than it costs anywhere else.

The Federal Government pays 25 percent more as a cost of living allowance for employees in Alaska, and I think you have an adjust-

ment factor built in for your employees in Alaska. But what we find is when we come to a comparison of rates for cost of service in Alaska—and you are not alone in this—we end up with a situation where we are told it costs more.

I did some checking with the State. They tell me that our costs are roughly \$225 million for a two-lane road to connect our capital to a road system. That road system—incidentally, it has been blocked, so I don't expect it to go in—would have to operate with two shuttle ferries and would cost \$7.7 million a year to maintain.

What I am saying to you is that the cost to us to build one simple road which is 50 miles long is about equal to what we understand your people consider to be the difference in cost of having air mail delivery of regular mail in Alaska, all of it, for about a 3- or 4-year period.

The other little map shows the other means of transportation. The road system is in the blue and the red, and, of course, the river system is highlighted because of the barge and river traffic. But my basic reason for bringing this up is to ask you this: As we go through this period—and we are trying to work with your department to reduce the cost to deliver the mail and to understand this unique quality in Alaska, when you fly a plane load of Pampers, you are not going to get the same revenue as if you flew a plane load of gold bricks, right?

As a practical matter, it is a real difficult problem for your people to operate in Alaska and it would be an extremely difficult problem for us to operate without your people in Alaska. I am trying to find some sort of a balance as we look at these costs which must be reduced in terms of a real comparison to what the costs will be without you.

If my job over the next few years would be to build roads in that State, the cost to the Federal taxpayer is going to be one tremendous cost, as compared to the cost to your ratepayer of paying a little bit more for every piece of mail, just as we pay a little bit more for every telephone call through the interstate rate pool so that telephone calls may be made to rural America, including Alaska.

My red light is on. When I come back, I would like you to think about it because—and I am going to recognize the Chairman's limitations, as we should—I would like to discuss with you here how we can go about getting some yardsticks that are fair to all concerned. I don't think it is fair to us to say it would cost 25 percent more to ship this stuff by air in Alaska than it would be to use surface in the south 48 when you take into account that it costs 25 percent more to do anything in Alaska.

Yet, we are asked to eliminate that overage. That is the whole task right now, is to eliminate the overage, and I would like to talk to you about getting some analysis of what it really costs in Alaska and finding a way to deal with it on the basis of recognizing that differential in cost.

Thank you, Mr. Chairman. I will come back.

Senator PRYOR. Would you like to extend your time a little bit, Senator, or can you come back? What can best accommodate your schedule?

Senator STEVENS. Mr. Chairman, what goes around will come around, and I am going to come around several times this morning.

Senator PRYOR. Good. Come around. Well, come back, then.

Senator COVERDELL?

Senator COVERDELL. Thank you, Mr. Chairman.

Mr. Postmaster General, you may have made my visit here shorter, but I want to ask you to explain again what you said in your statement with regard to postal inspectors will no longer take the lead. Before you answer that, we do have a sense of the Senate resolution coauthored by myself and the Chairman and others that asks that you cease and desist from these audits until there can be more Congressional input into their authority, result and consequence.

You yourself in your testimony have, I think, reinforced my view that you have 10 million business customers and only 41 audits over 5 years. You were speaking to—I think the point you were making was that it was inconsequential, in a sense, which is the point that I am making, but the size of the negative reaction is consequential.

Now, were you saying that the Postal Service is complying with the resolution on its own, in a sense; that you have made an internal decision with regard to this process that perhaps the resolution and other factors have taken into account? Elaborate on what you told us.

Mr. RUNYON. What I am saying—and then I will ask my general counsel to speak a little bit more to it because she knows more about the law than I would know. We had 41 cases in 5 years that were initiated by the postal inspectors, and what I am saying is the postal inspectors will not initiate those kinds of investigations any longer.

Senator COVERDELL. I think that is a major statement.

Mr. RUNYON. As you say, it is very bad for us from a public relations standpoint. As you have pointed out, it really doesn't serve our purpose very well. We are not out trying to get money from these audits. The amount of money in the scheme of things is not very much.

We do, though, think that the private express statutes cover a world of things. I think this is an example of what the private express statutes do cover and if we gave up the opportunity to explain what the private express statutes mean to people, all kinds of things could happen.

Senator COVERDELL. That has never been my suggestion.

Mr. RUNYON. Okay. Well, I guess what we are doing by saying that the postal inspectors will no longer initiate audits like that does follow what you are asking for.

Senator COVERDELL. Yes, it does, and after a very long night you have made for a better morning.

Mr. RUNYON. Mary, do you want to ruin his day in some other way?

Ms. ELCANO. No. [Laughter.]

I am hesitant to speak, given the success that you have had in the meeting of the minds, but just a little bit more information about what does go on. With respect to the 41 audits, I took the opportunity to go through some of the information that we have

given to the customers and to the other mailers, and to do a poll around my office with the attorneys. What we found is over the course of the last year we got 30 calls from customers, both mailers as well as carriers, asking for information on how to comply with the private express statutes.

Basically, what we are finding is a majority of the mailers and public complies with the statutes, much like they do with the Internal Revenue Act and other revenue-generating kinds of protection statutes. In one year, one attorney answered 30 calls on private express, versus the Inspection Service, in 5 years, 41 audits. So there is a major effort in the educational as well as voluntary compliance working with mailers and customers.

Senator COVERDELL. That is decidedly different, though, than what we have been arguing about.

Ms. ELCANO. The point you are talking about.

Senator COVERDELL. Right.

Ms. ELCANO. That is correct.

Senator COVERDELL. The educational response or responding to a call that is instigated by a private company that is asking you to help them clarify is obviously something that you would expect any Government agency or institution to respond to, so I have no objection to that.

Ms. ELCANO. In furthering of that, just getting to the 41 audits the Inspection Service did make, some small number of them were initiated by internal information by the Postal Service. Others were initiated by the postal inspectors, and some were requested by companies. I would say about 25 percent of those 41 asked for us to come in, in the sense of giving them information and guidance.

I think the private express statutes are very widely adhered to and respected. To the extent that our informational, educational or audit function keeps that front and center, there is probably some deterrent effect.

Senator COVERDELL. Just, if you would, a bit about the determination—I have seen the language about what is urgent and what is not, but would you agree that that is a very subjective decision for someone to make? What is important for me to have there the next day might not seem important to you. In the course of this discussion, it has appeared that you assume unilateral jurisdiction over what was urgent or not. That seems awfully difficult.

Now, it may disappear in that you are not going to instigate the audits, so you will just be dealing with somebody that is making an inquiry. But I became concerned that during the audits you were making the sole judgment as to whether it was urgent or not and I don't see how you can do that.

Ms. ELCANO. With regard to the extremely urgent suspension, there are two tests, as you know. There is the financial test, \$3 or twice the First-Class postage.

Senator COVERDELL. Which is another issue, but we won't go into that this morning.

Ms. ELCANO. There is that test. Then there is the other one in terms of the time of delivery and is there some loss associated with it not being delivered within that time. You are right, Senator. There is an element of subjectivity in that determination of loss. What has gone on in terms of our conversations with the lawyers,

and the Inspection Service would follow a similar script, would be—although we are not using the Inspection Service as a first contact, so I don't need to use that as the example—and from the marketing perspective, the requests we would answer, we would talk about what the private express requirement is. The information has to have some value. If it is a report or a communication that the mailer would determine is urgent and they are willing to pay the postage, there is a conclusive presumption.

Senator COVERDELL. I won't pursue that any further. Let me, if I might, change the subject just a moment to the statement that you made, Mr. Runyon, with regard to the suspension of advertising on the 2-day delivery until internal corrections can be made. Now, I guess GAO said in 1993 that the incidence of compliance was 77 percent. I believe that is in the GAO report, leaving 23 percent that did not meet that standard.

You see, to me, the way you most effectively compete with this is to make people want to use your service and feel that it is dependable. What is the timetable that you see for being able to assert that the system can meet that standard?

Mr. RUNYON. There are two things to that. There is some priority mail that we cannot make in 2 days because of the location. We don't have the wherewithal to actually get it there in 2 days. We have some locations like that and our clerks, when they accept that mail, are supposed to tell the person, now, this will not be there in 2 days.

The reason for that is we depend largely, at least 95—no, not quite 95 percent; a large percentage actually go by commercial airline, and so that means that we have got to get the mail, we have got to get it on the airline. The airline has to fly and has to get there when it is supposed to get there, and then we have got to get it from them and get it to the customer, and that is a bit of a problem sometimes. It has been a real problem recently with the weather. You know, when flights are canceled, mail is sitting there and it is not going anywhere.

Another way we deliver priority mail is by truck, and we can deliver—what is it, Joe, about 40 percent of our mail that is priority?

Mr. CARAVEO. Actually, about 60 percent of it goes by air.

Mr. RUNYON. Yes, so 40 percent would go another way. Like the 40 percent, if there was a priority letter coming from here to a place 60 miles from here, that could go in a truck and get there the next day. So it could be 1-day service. We are not advertising 1-day service and it is possible we could call it different mail and advertise 1-day service, overnight service, because some of it does go in 1 day.

With our big mailers who ship 100,000, 200,000 pieces, we actually average about 1.7, 1.8 days, but we know how we are going to do it and where it is going to go. Those places, we can meet. Some places, we just can't meet, and that is why we are not advertising anymore that we can do it in 2 days. By the way, we are about 84 percent now, compared to the 73 that you were talking about.

Senator COVERDELL. In the audit?

Mr. RUNYON. Yes, sir.

Senator COVERDELL. Mr. Chairman, just a closing statement because I have essentially addressed what I wanted to visit with Mr. Runyon and his colleagues about.

I just want to underscore the portion of your statement where you talked about your commitment to reviewing new technology. I want to help in way I can to encourage that because I think that is the key to these other issues that are in front of you. This is changing so rapidly, the way people are moving data and information, and I gave you but a minimal example of our office. It is really stunning to see the changes in a very short period of time that are occurring in the manner in which very personal messages are moving among people, and so your work on that should be commended.

Mr. RUNYON. Let me tell you a couple of numbers that are causing us to work on it real hard. Not too long ago, we had 100 percent of the C and T mail, which is communication and transactions. We now have 54 percent of that type of mail and the rest of it is going by fax and E mail, what you are talking about, and what we are predicting, is that by the year 2000 that number will be down to 30 to 35 percent. It could be less than that.

I mean, the way technology is growing, these kinds of things grow overnight and then, bang, you are hit right with them and that is why we are working very hard to do that, and I appreciate very much your comments.

Senator COVERDELL. Well, anyway, I can encourage that. I would like to do so, and I appreciate your responses to my questions. Mr. Chairman, I appreciate the opportunity to be here with you this morning.

Senator PRYOR. Senator Coverdell, the other day I was flying to Little Rock and I was back in the back of the plane, in a middle seat. The gentleman on my left had his personal computer out and he was communicating with his office in Minneapolis, sending messages back and forth. The gentleman on my right was talking to his wife on the telephone on the plane, and it was kind of mind-boggling, you know, because 10 years ago, 5 years ago, this would not have been happening.

I tell the story about meeting the 100-year-old man; I have probably told it here. I didn't know what to say to him and I said, you sure have seen a lot of changes in your 100 years, and he said, yes, I have been against all of them. [Laughter.]

Senator PRYOR. There is a lot of change, and a lot of it we can't do anything about. We have to just kind of take it and make the best of it.

We appreciate your visiting with us this morning, Senator Coverdell, and we appreciate your very constructive questions and your comments.

Senator COVERDELL. Thank you for the courtesy.

Senator PRYOR. Thank you.

Now, Mr. Postmaster General, let us talk about our little weekly newspapers and county newspapers and country newspapers. They say this proposed increase is really going to be an unprecedented burden upon them and will definitely impair their ability to communicate with their constituents and subscribers. Now, what can we say to them, and is it, in fact, a 43-percent increase?

Mr. RUNYON. No; 34.

Senator PRYOR. Thirty-four. That is still very high.

Mr. RUNYON. That is a drop of 9 percent already.

What we say to them is back in 1990 when we had our rate case, they were paying 100 percent of their attributable cost, and each class of mail has to carry their attributable cost. That is one of the first rules. Now, they are carrying less than 80 percent of their attributable cost, so the first thing that happened to them is that they had to cover their attributable cost.

Another thing that happened to them—and I am talking now about in-county newspapers. I assume that is what you are talking about.

Senator PRYOR. Yes, sir.

Mr. RUNYON. They also had an increase, I believe, of 4 percent based on the Act that was passed that has them pay more every year for 6 years until they get up to 50 percent of what they were paying. This is the revenue forgone bill that was passed, and so that also hit them. So they do have an increase of 34 percent.

Now, we sat down with their technical people and with our technical people and we are trying to figure out how we can resolve this issue. It is a serious issue. One of the things that I have been told is that their volume is down some, and when volume drops then the attributable cost is scattered over less pieces, which causes it to increase.

So we need to work with them, and we are working with them. We had a meeting with them, I guess it was last Monday or Tuesday of last week in a session to deal with the technical problems with people that understand it better than I understand it. So we are working with them very hard. We know it is a serious problem for them.

Senator PRYOR. Well, I think what they don't understand is your economic forecasters, and budget people, attributing a lot of what they call, "extra costs." We need to discuss this because small newspapers are really a part of the fabric of our society that we cannot afford to damage or cripple. I want to work with you on this.

Mr. RUNYON. All right.

Senator PRYOR. I think we have got to really look at some rethinking on the proposal as it relates to our in-county newspapers.

Mr. RUNYON. We would look forward to working with you.

Senator PRYOR. Now, Mr. Postmaster General, we have had a lot of concern expressed last week, I think, in the *Washington Post*, and on television, about some serious delivery problems in the Chicago area. I understand that you and your staff went into the area and looked at the problem first hand. I appreciate that, and I know the people of Chicago appreciate your personal involvement in this matter.

I did read, though, or maybe I was reading between the lines, that you stated that you were not going to relieve any senior managers. Now, how do you discipline your senior managers? How do you encourage or induce your senior managers to do a better job? What message does this send? I wish you would comment on that.

Mr. RUNYON. Mr. Chairman, I don't know where you read that. I didn't make that statement. What I said in Chicago is that we

had made no decisions on what actions we were going to take in Chicago to solve the problem.

Now, I met with Senator Simon and Senator Carol Moseley-Braun this past Monday at the Lakeview Station and we talked about things that they were most concerned about. We held a press conference there and people were asking me—I had been there 2 hours and they said to me, what are you going to do to fix the problem, and are you going to fire this person and are you going to do this and that? My answer to them was I have to study the situation before I can make a comment on what actions we will take. I didn't say there is any particular thing that I wouldn't do.

By the way, I not only met with them and had this press conference, I then went with Senator Simon to a downtown meeting that he had with the Mid-America group, which is a large group of business people, and I explained to them what we were going to be doing in Chicago to try to fix the problem. They asked questions.

I went from there and met with the union leaders in Chicago, the leaders of our unions and our management associations, and listened to them tell me what they thought we should be doing. I then met with about 100 employees from around the city of Chicago in the Chicago post office to find out what their concerns were and what they thought we should be doing.

I then went to city hall and met with 7 aldermen in city hall. Ed Burke was the person who chaired that meeting. The mayor was not in the city, apparently, that day and so I did not get to see him. Then I went to the Chicago Sun Times, which has been writing editorials and articles, and talked to them for about an hour-and-a-half and listened to what they had on their mind and explained to them what we were doing. They asked me that same question and I gave them that same answer that there is no decision made about what we will do.

Then I went to a town hall meeting that was a meeting of the treasury committee for two-and-a-half hours, and that was quite a revealing experience. I was able to make an opening statement and then I listened to comments for two-and-a-half hours. I heard a lot about how people felt about their mail delivery.

Senator PRYOR. How do they feel?

Mr. RUNYON. The ones present didn't feel very good. [Laughter.]

Mr. RUNYON. However, I got on the airplane the next day. Everybody knew me by now, you see. [Laughter.]

And they said, I don't have that problem. But, I understand they had that problem and they had a lot of problems they told me about. I heard poems about the mail service and I heard all kinds of things. But, anyhow, we are going to fix that.

By the way, before I went there Monday, I sent Joe Caraveo down Wednesday. He stayed there until Monday and he looked at all the stations. He knows how to deliver the mail. I don't know how to deliver the mail. I know how to talk to people about the mail.

Senator PRYOR. I noticed that he was looking a little peaked this morning. [Laughter.]

Mr. RUNYON. Yes. He has had some overnight stays, too, in the past few days, but we are going to fix the delivery. The Postal Service is fundamentally sound. We have got a lot of very, very

dedicated employees in the Postal Service and they do a good job. As you can see by the chart we had up there, we deliver 40 percent of the world's mail cheaper and better than any other country in the world. We have a problem in Chicago and we are going to fix that problem.

Senator PRYOR. The inference that was created when I stated that you had stated you were not going to relieve any senior managers was in the *Washington Post* in an article written by Bill McAllister, and I quote, "Postal officials in Washington said Runyon is not planning to relieve any senior managers in Chicago." This is where I drew the inference that no disciplinary actions might take place. I just think we need, once again, to address that.

Mr. RUNYON. You know, I need to say one more thing. Nine out of ten Americans like the mail service they are getting, and that is a very high ratio for somebody to like what a company does, or an organization or a Government agency. A lot of private companies would dearly love to have that kind of a rating. Very few have one that high, and I think we are doing a good job. We have got to fix Chicago.

Senator PRYOR. I want to move to Priority Mail for just a moment. I am still confused, Mr. Postmaster General, about the 2-day priority mail claim and the perception that it creates. I wonder if you or one of your colleagues there would visit with this Subcommittee for just a moment about whether or not this is, in fact, a much better deal, or a better deal than just mail sent in a regular envelope.

Don't we create the impression with the consumer, with the customers, that this is automatic 2-day delivery, when in many, many instances it is not 2-day delivery? Are we creating a false impression?

Mr. RUNYON. I am disappointed that you have one of those in your hands because I instructed our people to destroy every one of those that we had. I can go into a post office now and pick one up and it looks like that, but it doesn't have "2-Day" on it.

Senator PRYOR. In other words, this one is out of date?

Mr. RUNYON. Yes, sir, it is out of date.

Senator PRYOR. I am very glad to know that.

Mr. RUNYON. We spent, I believe, \$185,000 to destroy our stock on hand.

Senator PRYOR. Okay. Well, downstairs in the Senate Post Office they are still using these, and after this is over maybe you and I will go down there together.

Mr. RUNYON. I will bet downstairs, maybe by the time it is over, they will be gone if somebody would leave this room here and take care of it. [Laughter.]

Senator PRYOR. Well, good. We will get that little problem straightened out.

Mr. RUNYON. You see, it is very difficult in 40,000 locations, including my own office—we had some in the office and I had to get rid of those, too. I mean, it is hard to purge that type of thing, but we are definitely making every effort we can.

Senator PRYOR. Right.

Mr. RUNYON. We put the word out that cost is not any criteria on this.

Senator STEVENS. Will you yield on this?

Senator PRYOR. I will be glad to yield.

Senator STEVENS. Along that line, I have had some complaints about envelope size for priority mail. Many people mail cassettes and the news media, in particular, mail the TV cassettes. Particularly going up my way, they want them on priority mail. Some mail the radio cassettes that work just in normal boom boxes. They get lost in envelopes like that, and because they are so big they tear the envelopes.

Has consideration ever been given to having a size you could purchase which was adaptable to specific size of commodity to be mailed?

Mr. RUNYON. I do know in some post offices we do sell carriers for something like you are talking about that has the air plastic material.

Senator STEVENS. The little bubbles?

Mr. RUNYON. Yes, smaller ones, and they don't say "priority mail" on them, but you could put a priority mail sticker on there.

Senator STEVENS. Well, maybe that is the thing we have to look at. Joe, can you do that? Can you match what the Postmaster General is telling me about?

Mr. CARAVEO. Yes. As a matter of fact, we went to look at one of our stores of the future where they were selling those air-filled bags. They are not preprinted with "priority" on there, but they are—

Senator STEVENS. But they are different sizes?

Mr. CARAVEO. They are different sizes and will accommodate cassettes.

Senator STEVENS. All right. Well, I apologize for interrupting.

Senator PRYOR. No, not a bit. I will ask one more question, Senator Stevens, and then yield to you.

I think one of the contentious issues surrounding the implementation of the non-profit reform legislation that we passed last year, called the Clay Compromise—not Henry Clay, but Bill Clay, Congressman Clay—concerns the Postal Service's proposed regulations on advertising in third-class, non-profit publications.

Now, the non-profit community, as I understand it, feels that these regulations are very restrictive and they violate the intent of Congress. I am wondering where the Postal Service is regarding formulation of a policy or regulation or a ruling in this field.

Mr. RUNYON. We put out a proposed ruling and published it and gave the appropriate amount of time for response. Then we extended that response time by 30 days because there was a lot of concern about it and they wanted us to hear it. We extended it for 30 days, and then we held a town hall meeting with anybody that wanted to come and talk about that.

We are working very closely with the Alliance of Non-Profit Mailers and advertising mail, and we are going to be working with them to make sure that we try to satisfy every request they have. That may be difficult to satisfy everybody, but we certainly are going to be looking at it very closely before we release that final ruling.

Senator PRYOR. Did you have response, as you said, from the alliance or from the association?

Mr. RUNYON. Yes. We had a large response.

Senator PRYOR. I am going to yield now to Senator Stevens.

Senator STEVENS. Thank you, and I will take up where I left. As I was telling you about the Alaska situation, out there in the delta that is between the Yukon and the Kuskokwim, the west coast area, there are some 70,000 people who live in an area in which there is no interconnecting highway system at all. A great portion of the almost 200 native villages of Alaska are in that area.

We have asked a couple of times to see if we could try hovercraft land transportation. We have a method to our madness there because if we could ever get you to use them, maybe the whole concept of freight to that area and communication in that area would change. You could maybe even have some land transportation for passengers and be able to try to develop the area for agricultural purposes.

Not many people are going to fly in small farm animals and other things at the current cost. It is just prohibitive, but the concept of hovercraft goes back with me to the time when I was in the State Legislature. I actually sponsored a resolution to try and get some investigation then, and obviously that is a quarter of a century ago and we still don't have hovercraft transportation.

Your people have looked at it twice now, but I think on the basis of exclusive use, is it possible that we could get you to work with a team in that area looking at some use beyond just postal use of a hovercraft transportation system to test it in the interior? Would you be willing to go back and look at it again?

Mr. RUNYON. I am sure we would be willing to go back and study that. Joe, are you familiar with the—

Mr. CARAVEO. Yes. You are talking about Jim Jansen and Lynden, Incorporated, and we have had contact with them. What they wanted was some kind of a sole-source, exclusive deal on it, and maybe we can work it out with them and see if we can do something on a trial basis.

Senator STEVENS. The reason they had to have it is they have to have some financing for that hovercraft. I saw your letter, Joe, and I really think maybe we ought to step back and find out how many other people could be involved. If you could join a consortium, it is not the same thing as looking for a sole-source contract in a competitive field. There is a field out there that nobody is occupying, and that is surface transportation of substantial quantities of heavy goods, including, as I said, some farm capability out there. I would hope you would take a look at it.

Mr. Postmaster General, going back many years ago, Secretary of Agriculture Cliff Hardin agreed to conduct an experimental farm out there to try and see about using that land for agricultural purposes. Unfortunately, he was attracted away from Government before he could perfect it. We have never had any agriculture in that area. The growing cycle is very intense and I am told they could actually get two crops out of that area.

What Jansen is looking for is finding a way to start a system that might be used by others if they could get a contract with you to start with. You started the air mail, and that is what started passenger transportation and that is what started the village

stores. You really are the key to development of the future, in my opinion, of the interior.

Mr. RUNYON. Senator, one of the things that we are looking for is people to partner with on various ventures. If we could partner with somebody in that regard, I think that would be an excellent thing for us to look at.

Senator STEVENS. We are going to have a meeting of the transportation group in Alaska this next month and I will be back to you, but I would urge you to look at it. None of us intended to ask you to violate the sole-source concepts in a competitive situation, but there is no one there competing in ground transportation. There is someone competing there in air transportation, I will agree.

Mr. CARAVEO. I think under new products and new ventures, I had written that down before my boss said new ventures and everything. It proves we are thinking along the same lines. I know that we were last Sunday when he called me up when I was in Chicago to tell me that he found a 2-day envelope in his post office.

As you know, I have been very active in Alaska going back to 1984 when we established that Alaska improvement team, which I think was reasonably successful in bringing the Alaska Postal Service right up to where it is today, which I think is very well served by the group of people we have there.

We had the Alaska transportation effort to see how we could best serve Alaska. It was comprised of members of the State, the transportation industry, the Postal Service and affected business interests, and we did talk about hover craft, but I must admit I didn't think about it in this sense where you could use it in line with something else. That certainly would give us something new to think about.

Senator STEVENS. I am not sure those other people know they are about ready to be touched either, but we will work it out somehow.

Mr. RUNYON. Right.

Senator STEVENS. Before I leave the Alaska situation, with the changes that are being made, are we still going to have the agreement that First-Class mail will be carried by air transportation wherever possible?

Mr. RUNYON. Yes.

Senator STEVENS. So as we are talking about these changes to ground transportation—

Mr. CARAVEO. Let me qualify that. If there is current ground transportation that we are using, you know, we would do that. We would go by air if we wouldn't violate our standards, but basically we intend to fly everything just like we have been doing for years.

Senator STEVENS. Yes. Well, in the southeast we are going to use barge and ferry. In some areas around Prince William Sound and Kodiak, you use barge and ferry for mail, but I understood that was parcel post type mail.

Mr. RUNYON. That is right.

Senator STEVENS. But the First-Class letters to grandma are still going to go by the best available transportation, as I understand it.

Mr. CARAVEO. Yes, sir.

Senator STEVENS. Good.

Mr. RUNYON. We have no intention of downgrading the mail service in Alaska, if that is the question.

Senator PRYOR. He wants you to repeat that. [Laughter.]

Senator STEVENS. No. I am glad to hear him repeat it. He has made that commitment to me in the past. I just wanted

to make sure everyone at home understood it because we are reading now about the changes that are coming about and I have to hasten to even ask my own people to remember that we are not talking about First-Class mail. First-Class mail is still going to go by the best available transportation to maintain that commitment that was made to Alaskans some time ago. I appreciate your repeating that here today.

Let me go to this air transportation contract. The airline dispute, of course, has been something. I understand you have signed with a majority of the carriers. One of the carriers, our Alaska Airlines, has not signed, and I have not had an occasion yet to be able to sit down and talk to them about it.

I understand you have got some sort of dispute there. I don't want to get into your dispute, but is that being mediated or is there any ongoing attention being given to the fact that Alaska Airlines decided not fly mail under that transportation contract?

Mr. CARAVEO. Actually, Alaska Airlines chose not to participate in it. They felt that between freight and air mail, they would prefer to just handle freight and not be involved. We have gotten involved with three other contractors with other available lift, and we have more than sufficient lift capacity to Alaska. The service will not be affected.

Mr. RUNYON. The service we are talking about, I think, is outside Alaska to Alaska. They still do service for us inside Alaska.

Senator STEVENS. I understand that, but we are talking about the Seattle mail. There are a lot of people who get their mail directly from Seattle in the southeast—Ketchikan, Sitka, Wrangell, Petersburg, Juneau. I want to make certain as a follow-up now to that other question, are they going to get air delivery of First-Class mail as they have in the past?

Mr. CARAVEO. Yes. Actually, southeastern Alaska, which handles Juneau, Sitka and Ketchikan, will be handled by American International Airways, and we have Evergreen supplementing the service into Anchorage. So we feel we have sufficient lift capacity to in some instances enhance the service that we had in the past.

Senator STEVENS. Am I correctly informed that Alaska Airlines was the only carrier that declined to sign?

Mr. CARAVEO. Yes, sir.

Senator STEVENS. Do you have any others in limited participation or is that the only carrier that is not participating?

Mr. CARAVEO. That is the only major carrier that did not sign. They chose not to participate.

Senator STEVENS. I don't usually talk about too many negative things, but I am getting complaints from some places both at home and here in my office in Washington that there seems to be a push, if I can use that word, on getting postal facilities to sell stamps and other products. I think I mentioned this to you last year, the mugs, et cetera.

How substantial a part of your income is that part of your business, selling products or selling stamps as opposed to stamps that are going to be used for mail?

Mr. RUNYON. You are talking about philatelic stamps?

Mr. CARAVEO. He is talking about cups.

Senator STEVENS. I am talking about cups, and also there are stamps that are basically sold for collectors. I bought some of those recent Alaska stamps just to keep. How much of your revenue is related to people who buy stamps they aren't going to use for mail?

Mr. RUNYON. Well, on philatelic stamps, it is about \$200 million. If people want to save stamps, we certainly don't discourage them. We would like for them to do that. Now, Mike can talk about the other products.

Mr. COUGHLIN. I would like to clarify one thing in case there is any doubt. We did, I think, at the urging of the Chairman a couple of years ago, terminate the sale of things like coffee cups and T-shirts and those types of things.

Senator STEVENS. Are they all gone now?

Mr. COUGHLIN. They are gone out of post offices. Now, we do have philatelic products, not stamps themselves, but products associated with the stamps that we do sell through our postal units. The amount of revenue generated from those is relatively small compared to the size of our business.

Senator STEVENS. I have the impression that there are stamps that have flowers, stamps that have famous people, stamps that have various other things that would be of interest to people for collection beyond just the normal stamp collector. There is some feeling at post offices that they are being asked to sort of push certain kinds of stamps. That is not true?

Mr. COUGHLIN. Not to my knowledge. We provide a range of stamp stock out there and, as you know, we have a program that we roll out through the course of the year and we have a distribution system that provides certain amounts of stamps to individual post offices.

Senator STEVENS. Have you ever heard the phrase "mug shot stamps?"

Mr. COUGHLIN. No, but I can imagine where it came from.

Senator STEVENS. It came from some rural Alaska postmasters.

Mr. COUGHLIN. Yes, that is what I imagined. [Laughter.]

Senator PRYOR. I think the audience is perplexed, and this Senator is perplexed. Now, what is a mug shot stamp?

Senator STEVENS. That Elvis stamp, I think, is a mug shot stamp. Isn't that a mug shot stamp?

Mr. COUGHLIN. Yes. We have had a series of the Elvis stamp, and there have been a series of stamps issued honoring not only rock and roll stars like Elvis, but country and western and Broadway plays.

Mr. RUNYON. Secretaries of state.

Mr. COUGHLIN. There are different tastes.

Senator STEVENS. A rural postmaster is given some quantity of those that they have to get rid of?

Mr. COUGHLIN. They are given a quantity in a distribution system. Depending on the size of the post office, they themselves can

order the amount they want of those. We don't destroy stamps, but after a period of time they are returned to a center.

Mr. RUNYON. One of the problems we do have with stamps is that a lot of people like stamps with flowers on them. That is a commemorative issue, and that commemorative issue might be 120 million and everybody wants them. They want them just to use them because a lot of people like to put a very colorful, nice stamp on their mail and they don't like the mug shots.

There is another name for the mug shot stamps that we use. What is our official name?

Mr. COUGHLIN. Definitives.

Mr. RUNYON. Definitives. We make definitives, and we continue to make those over and over again and people buy them and use them to put on their envelopes. But when we come out with commemorative stamps, like flowers and other popular people and things of that nature, then they like those and they would like to have them. The problem is that we don't make enough of them that they always have them present, and they get upset about that.

We are working, by the way, on our distribution system of stamps. We have got to get control of that so we know exactly how many of those stamps different people have because in some parts of the country they are not too thrilled about flowers on stamps. You know, they might like to have a stamp on some other subject, and where we have got a bunch of them there and we have got somebody else that wants the flower stamps, we ought to be able to know where that inventory is, and we don't have that capability now. But we are working on that to get it so that if somebody wants flowers, you know, they poke into the computer, and the flower stamps come.

Senator STEVENS. I probably shouldn't mention it, but I have a little personal experience with those flower stamps. My daughter, Lily, wanted to make sure I knew that there were flowers on stamps.

Mr. RUNYON. Does she know that we make a book with those flower stamps? [Laughter.]

Senator STEVENS. I can just hear you making that pitch to some of those postmasters of mine. They thought they were being pushed to sell it. I think she does, as a matter of fact, to answer your question.

Mr. RUNYON. OK.

Senator STEVENS. Did you go into the rate increase at all, Mr. Chairman?

Senator PRYOR. We did not.

Senator STEVENS. I was interested in the way that announcement was made, and I do thank you for your call. I think you called many of us who were interested in knowing what was going on so we would know what the Board of Governors had decided.

We have been on a 3-year cycle for stamps. Do I read that this is now an intention to go to a 2-year cycle on stamps? We are talking about 1994 to 1996. Is there a cycle concept involved in the Board of Governors' decision or your decision?

Mr. RUNYON. No. We have been on a 3-year cycle and when I came here—

Senator STEVENS. You made a 4-year commitment and kept it, and we thank you for that.

Mr. RUNYON. Yes. When I came here, there was a plan in place to put a \$.35 stamp in place in 1994.

Senator STEVENS. Right.

Mr. RUNYON. So we said, well, this is not too neat because we have got to fix that. That is a 20-percent increase and we would quickly lose a lot of business. We have some mailers that pay us \$100 million or \$400 million a year for postage, and if you go up 20 percent on \$100 million, you know, you have gone up \$20 million. That drives them to go find some other way to deliver their merchandise. So we wanted to work and reduce our costs and felt that we could go 4 years. It would be tough and it was tough, but we did that.

Senator STEVENS. What is the end of this cycle? Is it June of 1996?

Mr. RUNYON. The end of the cycle we are in now is going to be January–February of 1995, and then we have asked for a 10.3-percent increase, which is 2 points less than inflation, which is the first time we have done that. Now, if everything went normal, we would expect that to last 2 years. If we were to do a better job of productivity and all those kinds of things, it could go longer.

I am not trying to set, and I don't think that the Board of Governors is trying to set any particular new kind of a cycle, although we do have customers who say, these big increases every 3 years are a problem to us; we would rather have an increase every year and know what it is going to be every year. Or, you know, we could skip a year; it would be okay. They would like that, too.

Senator STEVENS. Well, I don't want to get partisan. It is not meant as partisan, but I have seen postal rate increases debated in Presidential election years and I think it hurts the system. I do not think that postal rate increases ought to be considered in a Presidential election year because of the intensity of that type of campaign on the American scene.

I am hopeful what I have just heard is that, in any event, this 2-year cycle will reach into 1997, and if it doesn't I would urge you to ask your people to consider the impact on the postal system if we had the whole concept of the postal rates and postal system become part of a controversy, in a political sense, in our national system. It did happen. In fact, I remember it was the year Gale McGee was up for election and he was Chairman of this Committee, I would remind you, Mr. Chairman, and it became very difficult for a lot of people in a lot of places, but also it was difficult on the system itself.

I would urge that you articulate that, Mr. Postmaster General. If the 2-year cycle commences in 1995, obviously it is going to end in 1997, unless the system fails, and I would hope that would not be the case.

I have a series of questions that are related. I understand the Chairman has asked a question about the in-county newspapers and the small newspapers. He doesn't know what small really is as far as newspapers. We have some small newspapers and I have heard from all of them. I will look forward to any additional information you might give us with regard to that.

They have told me that they are facing a 35-percent increase in rates, while everyone else is facing a 10.3-percent increase in rates, and I find it hard to answer that so far. I am going to look forward to your answers in the record to the Chairman, but I would like to submit the rest of them.

Senator STEVENS. I will close with a comment to you. Again, I say we hear a lot of complaints and I hear them at home, but they are nothing like the complaints I heard before we reformed this system and gave you the independence you have to make business judgments and have your people negotiate directly with you and not through Congress. If the alternative is to return to the old system, I think there would be a great many more people complaining right now.

I think under your stewardship, we have made progress. Even the fact that the rate cycle was stretched out so far and it is less than was being considered when you became Postmaster General is a credit to you and all of your people. We are just softening you up and making you feel good before you go to our colleagues in the House, I really think. [Laughter.]

Mr. RUNYON. Thank you very much.

Senator STEVENS. I appreciate your courtesy.

Senator PRYOR. This is a trial run, Mr. Postmaster General.

Senator Cochran has joined us. We welcome you, Senator Cochran.

OPENING STATEMENT OF SENATOR COCHRAN

Senator COCHRAN. Mr. Chairman, thank you. I came over to congratulate Marvin Runyon on the job he is doing. I know that this is one of the toughest jobs in the country, and your recent experiences in Chicago which were widely reported certainly are illustrative of that.

I wish you well as you continue to try to make the system more efficient and to keep postal rates from increasing any more than they have to. I agree with Senator Stevens and his comment about the fact that your leadership has kept the rates from increasing any more than they are now proposed to increase. I notice your statement puts a spin on that that I think is appropriate to make.

I also want to express appreciation for the fact that you are taking action to keep these audits of customers which have stirred up so much concern, where they use overnight delivery and some of the other alternatives to the Postal Service—many of them were very concerned about having fines imposed upon them, and threats of others. I don't know whether that can be worked out or not. I do feel, though, that we have to be careful when we go too far in the other direction.

I know that letters and other services of the Postal Service could not be made available to rural Mississippi if we opened up for competition all of the activities of the Postal Service. So, that has to be looked at very carefully and I think you are approaching it with an understanding of some of the concerns that users of alternative mail services may have. I share those concerns.

Incidentally, I am not a cosponsor of legislation which is pending here in the Senate now that would prohibit imposition of fines or audits, or the like, because I do have the concern that we don't

want to over-manage that by statutory restraints that might have a reverse effect in many other areas.

So I came by to wish you well. Thank you, Mr. Chairman, for your recognition. I really don't have any questions to ask you. I know you have had a lot of questions and comments already.

Thank you.

Mr. RUNYON. Thank you very much, Senator.

Senator PRYOR. Senator Cochran, we thank you very much for your contribution this morning.

Now, let me ask about three little areas here Mr. Postmaster General. It is our understanding that we have about 80,000 postal meters that have vanished or have disappeared. Now, what is happening now to the postal meter situation?

Mr. RUNYON. Would you care to answer that?

Ms. ELCANO. Yes. What has happened since the conversation, I believe, that you had with the Postmaster General last September is that we have been working with the meter industry, the four meter manufacturers, to try to come up with an approach to the meter program.

Some of the areas that we are looking at are the administrative programs in terms of the postmasters reviewing meters, meter applications; ongoing reviews of audits and inspections by the Inspection Service in terms of alleged crimes, and lost and stolen would be part of that review. The other areas we are looking at are financial reforms and security reforms.

But what we have done so far is, about a month ago, met with all four meter manufacturers and had an open dialogue about what are the areas of concern for the Postal Service. They gave us a lot of insight and input as well. They are coming back with a lot more in writing. We are going to take all of their comments and issues into consideration, and hopefully around summer time—these things tend to delay—or by the end of the fiscal year we would be looking at issuing some new regulations. The goal is to update and make the meter process, the entire meter program, from the Postal Service's point of view and the industry's point of view, more secure, more financially controlled.

Senator PRYOR. Any way now to anticipate about how much we are losing in revenue for the Postal Service because of these postal meters being utilized?

Ms. ELCANO. I believe the number that we were looking at was about \$100 million. I would let the chief financial officer answer that.

Senator PRYOR. Is that about the right figure, Mr. Riley?

Mr. RILEY. I think it is much less than that, and that is, in part, because of the control systems that are in place. The Inspection Service serves as the detect control to find things that are going wrong.

Senator PRYOR. Do we ever find any of these systems being utilized, and prosecute?

Mr. RILEY. Yes, sir.

Senator PRYOR. We are doing that now. How many people—

Mr. RILEY. And beyond that, we also find things that are going wrong and negotiate a settlement with the mailer that includes a penalty that goes beyond the postage that we feel we can prove has

been stolen. The Inspector General has been very active doing that and we have been cooperating with Finance.

We also have a new computer system that has been developed and, as a matter of fact, is in the pilot stage right now in Boston to detect the existence of meters that are being used that are lost and stolen or disappeared, and we have so far been pleasantly surprised with the small number that have been found either through manual means or electronic means. So it appears that many of our initial worries as to how bad it could be may have been overstated. The problem may well be when someone goes out of business, the meter just gets destroyed and not used.

Ms. ELCANO. We have three cases that come to my mind where prosecution has either been—there has been an indictment sought or is pending, or a plea bargain may have occurred. I would suggest we could supplement the record with more information on the prosecutions, though.

Senator PRYOR. We will appreciate any material that you would have for the record.¹

Senator PRYOR. I think we need to send a warning out that people who violate this are going to be prosecuted. If we can detect when it is being violated or abused I think we need to send that message.

Let me move, if I could, Mr. Postmaster General, to the proposed rate increase. Now, the Board of Governors has signed off on your, what, 10.3-percent increase? Is that correct?

Mr. RUNYON. Yes, sir.

Senator PRYOR. So what is the next step? Let us put that out on the record. It goes to the Postal Rate Commission?

Mr. RUNYON. Yes.

Senator PRYOR. And how long do they have now to make a determination?

Mr. RUNYON. They have 10 months. We have asked for a faster settlement on that, but they have 10 months to come back with their recommendation to the Board of Governors, and then the Board of Governors has a decision to make as to whether they can accept what they receive back.

Senator PRYOR. When you made this recommendation of a 10.3-percent increase, did you leave some on the table? In other words, do you have bargaining room in there or are you going to stick with that particular figure?

Mr. RUNYON. We plan to stick with that figure of 10.3. We have a situation that if we increase our prices too much, we are going to lose a lot of business. On the other hand, we have to ask for enough to satisfy our fiscal responsibility.

There is task for the Postal Service to make everything come out right with the 10.3, a lot of task, and we think we are up to that task. We think that we have to do more to improve our productivity, to improve our customer satisfaction, and we think we can do it and that is why we are asking for 10.3.

Senator PRYOR. If the 10.3 is granted, then how long will it be before you come back for another rate increase? Do you have any anticipation for an additional increase?

¹ See page 82.

Mr. RUNYON. Well, we expect it would be 2 years.

Senator PRYOR. A 2-year period?

Mr. RUNYON. Yes, sir.

Senator PRYOR. So you are asking, what, for a \$.32 stamp, First-Class? Is that correct?

Mr. RUNYON. Yes, sir, and 10.3 percent across the board for everyone else. Now, we intend to go back in a year and ask for a rate reform proposal to the Postal Rate Commission, and the reason we are doing that is that the way the rates have been established over time is they have been updated over time, but we think that it is time that we take a really hard look at what we charge for what we do in all categories because we are starting to get a lot of automation in place now and by 1997, we would have, of course, a lot more automation in place.

We need to make sure that our rates go in line with what our costs are with that automation, and if people provide us with mail under the conditions that we need to really use that automation, then the price ought to be appropriate. We should be charging exactly what it costs us for what we do. So, that is the reason we are going back for rate reform next year.

Senator PRYOR. I see. Now, a final question. There was a letter to the editor this morning in the *Washington Post* relative to the bonuses that may or may not be paid to several of the so-called executive corps of the U.S. Postal Service. Now, under this new system, when will bonuses be paid?

Mr. RUNYON. Well, we don't call it bonuses. We call it a performance incentive payment, and it means just that. First, we have to meet our target on finances before anything is even considered. If we don't meet the objective and the financial plan that we have for 1994, there will be no payments.

If, in fact, we do meet that plan and we continue to improve our customer satisfaction index, which is at a pretty good level right now of 89, and our employee opinion survey which we take once a year improves, then we will make payments and the amount of payments that we make will depend on those things. So it is not just the dollar payment.

You see, when you give someone a target of so many dollars in their budget, they can make it. I can guarantee you they can make it, but at the expense of a lot of things, like quality. They may decide that is not too important. Delivering the mail on time may not be too important if they can save money by not doing it, or how they treat employees may not be too important if they are going to make money.

We have put more emphasis on customer satisfaction and our employee opinion survey than we do on the financial part of it because what we want to do is have our people improve in those areas. That is what it is all about, and we think that this is an incentive for them to do that. I would like to see us do this for every employee in the Postal Service.

Senator PRYOR. Is it my understanding those bonuses could go up to \$8,600? Is that the maximum?

Mr. RUNYON. Those performance incentives could go to—

Senator PRYOR. Yes, all right. I will even adopt your description; performance incentive, okay.

Mr. RUNYON. They could go up this year to 25 percent of their base pay. To do that, we are going to have to make a lot of money. Our budget right now is to lose, not to make, but to lose \$1.344 billion. Now, for it to get up to 25 percent—and I should let the finance person answer this, but we would have to lose a lot less than that for it to pay out at 25 percent.

Tell him about it, Mike.

Mr. RILEY. The plan is, in fact, based on breakthrough performance. If we do achieve breakthrough performance in the three areas mentioned—customer satisfaction, the commitment to employees, and the financial portion—roughly a nickel on the dollar of everything saved would go into the pot to pay for higher incentive payments. So there is likely to be a disparity between those that perform well and those that perform badly, a great disparity, and the maximum is limited. The maximum cash pay-out is limited to 25 percent.

Senator PRYOR. Does this apply nationwide? In other words, are regions given targets? How do you work that out?

Mr. RILEY. It is applied nationwide, and we have 85 performance clusters nationwide and they are designed to be teams of individuals working together to get better mail service, better customer satisfaction, and the long-term financial viability of the Postal Service.

Senator PRYOR. Could, for example, the Little Rock people get a bonus and the Chicago people not get a bonus? Is that right?

Mr. RUNYON. Yes.

Mr. RILEY. Yes, and nobody gets a bonus, nobody gets a cash payment—

Senator PRYOR. Excuse me. I am still using the word "bonus."

Mr. RUNYON. I didn't correct it. I am sorry.

Mr. RILEY. —unless we equal or exceed our financial target because you can't pay it if you don't make it.

Senator PRYOR. Thank you. Senators Sasser and Cohen, who are members of this Committee, have some additional questions for the record. We are going to keep the record open for a period of 10 days and we would appreciate your response to those questions.

Senator PRYOR. Mr. Postmaster General, we appreciate your coming. Do you have any final comments that you would like to make? We would be glad to hear those at this time. Otherwise, we will adjourn our meeting.

Mr. RUNYON. Only to thank you very much for having the hearing and allowing us to tell you the kinds of things that we are doing and to get the input from the Senators who made comments. We appreciate it.

Senator PRYOR. You have been very forthcoming with us and we appreciate that very much.

Senator PRYOR. Our meeting stands adjourned.

[Whereupon, at 12:02 p.m., the Subcommittee was adjourned.]

APPENDIX

PREPARED STATEMENT OF SENATOR COHEN

Mr. Chairman, I thank you for giving me an opportunity to provide a statement and some questions for the record on today's Federal Services, Postal Service, and Civil Service Subcommittee hearing on the Postmaster General's annual report. I have a number of issues I would like to raise with the Postmaster General.

First, I want to commend the Postmaster General for his efforts to streamline the U.S. Postal Service and make it more efficient. Since becoming Postmaster General, he has sought to make the Postal Service more business-like and reduce the layers of bureaucracy within the organization as well as improve both service quality and customer satisfaction. These are certainly laudable goals and are consistent with Congress' and the Administration's efforts to reinvent government and make it more accountable.

The Postal Service delivers 40 percent of the world's mail and the 29 cent postage for First Class mail is the lowest in the industrialized world. In view of the large volume of mail that the Postal Service delivers, some 171 billion pieces last year, the Service is bound to experience certain problems. Recent reports, however, of delivery fiascos have fueled the public's ire with respect to the Postal Service. For example, friends of Vice President Gore's recently went to their mailboxes to discover the Christmas cards the Vice President's family sent out in early December. Even more egregious is the discovery that postal employees in Chicago have been hiding and burning mail. In some cases, mail dating back to the 1970's has never been delivered. Piles of undelivered mail have left Chicago area customers shocked and furious to learn that bills, personal letters, paychecks, and birthday cards have never reached their destinations.

I would like to bring the Postmaster General's attention to a recent problem in Maine. Two letters sent by my office to RECOLL Management Corporation on behalf of constituents regarding cases they are actively pursuing with RECOLL, one sent last July and the second sent last August, were just recently returned to me marked "unable to forward—return to sender." The letters took seven and 8 months to be returned to me. I am somewhat perplexed as to where my letters have been these past months particularly when RECOLL provided a letter to the Post Office in April of last year notifying them of the change of address. The individual casework I do on behalf of my constituents is some of the most important work I do as a United States Senator. I depend on the Postal Service to deliver roughly a thousand pieces of mail a week servicing the people of my State. Episodes such as these are of great concern to me. They affect my ability to serve my constituents and, in some cases, the information I am providing may have a direct bearing on individual financial decisions and people's livelihoods.

The Postal Service has also received criticism for a host of other problems. For example, while the Service's Priority Mail service is intended to reach its destination in 2 days it often takes much longer, causing frustration among postal customers who may turn to private carriers for faster and more reliable service. The Postal Service is also instituting a new logo which conservative estimates put at a cost of \$7 million. At the same time, the Postal Service is facing a deficit of at least \$1.3 billion and perhaps just over \$1.7 billion this fiscal year.

More recently, we have heard reports that Postal Service inspectors have been auditing private businesses for violations of the Private Express statutes which grant a monopoly to the Postal Service for the delivery of certain First Class letter mail. We are all familiar with the postal inspectors audits and the reported fines that the Postal Service has assessed on private businesses. These reports certainly have not helped the Postal Service's public image.

Postal officials maintain that this monopoly allows the Postal Service to provide universal service at uniform rates even in unprofitable areas, such as small, rural

towns in Maine. Allowing private carriers to obtain the revenues from these profitable markets, according to the Postal Service, may jeopardize its ability to ensure universal service and could result in having to raise rates or seek tax subsidies to provide continued service to these areas.

However, I understand that in the last 5 years only 41 businesses have been audited by the postal inspectors and the revenue derived from this practice is roughly \$1 million. At first glance, therefore, it does not appear that the Postal Service is generating enough revenue to support its universal service argument. I am also concerned by the fact that when the Federal Government has been found to be in violation of the Private Express statutes, the Postal Service has engaged in educational efforts rather than financial penalties. The Postal Service has sought to "train" federal mailroom personnel about what they can and cannot send by way of a private carrier. If this is true, the Postal Service appears to have set up a separate set of standards for enforcing the Private Express statutes. While I certainly want to ensure continued quality service to rural America, I am sympathetic to the plight of America's small businesses who are seeking the most reliable, efficient means of doing business.

I commend Senator Coverdell for bringing this issue to the attention of the Congress. Last year, he introduced a bill to prohibit the Postal Service from financially penalizing these private businesses. The Chairman of this Subcommittee, Senator Pryor, also sought a report from the General Accounting Office (GAO) on the effects of this legislation on the Postal Service's revenues and its ability to provide universal service. I supported the Sense-of-the-Senate resolution passed by the Senate urging the Postal Service to cease this audit practice until GAO's report was completed. I am pleased that the Postmaster General has announced that the postal inspectors will no longer take the lead in initiating these audits. I am certain this will come as welcome news for American businesses.

I also want to express concerns about the effects of the Postal Service's proposed across-the-board rate increase on America's community newspapers. The Postal Service recently announced its plans for a 10.3 percent increase for all mailers which would take effect next year. It is my understanding that second class in-county mail, i.e. small newspapers, would see an increase more along the lines of 34 percent. Certainly, this will adversely affect many local newspapers which will be required to pay higher delivery costs and I am concerned that it may in fact force some small newspapers out of business. I ask the Postmaster General to look into this and give thoughtful consideration as to how this will effect our Nation's small newspapers.

Another issue that is particularly important to my home State of Maine is the Postal Service's intention to save an estimated \$5 million by reducing the number of postmasters. I am concerned about the Postal Service's efforts to close and consolidate small, rural, post offices and would like the Postmaster General to comment on his proposed plans in this area.

Mr. Chairman, I have submitted some additional questions for the record. In closing, I want to again commend the Postmaster General on his efforts to improve the Postal Service and I look forward to hearing from him on the various issues of concern to me.

Annual Report of the Postmaster General

Fiscal Year 1993

GUIDING PRINCIPLES

The Postal Service is committed to:

PEOPLE

Diversity is value; everyone must be treated with dignity and respect. Training and information must be provided to all employees. Participation through teamwork and participation in decision making which is essential to customer and job satisfaction.

CUSTOMERS

We will achieve the highest possible levels of satisfaction with every service encounter. Customer satisfaction is essential to the health and growth of our business.

We stand for continuous improvement, positive change, and making breakthroughs in what we do and how we work. Each of us will bring our finest efforts to bear on each task and each endeavor, all the while looking for better, easier, faster, and simpler ways to serve our customers, achieve our goals, and improve our performance.

INTEGRITY

We will be worthy of the trust given us by the American people. We will act with integrity in every encounter and relationship with postal customers, business partners, and each other.

COMMUNITY RESPONSIBILITY

We will build upon our legacy of more than 200 years of service to the nation by meeting the changing needs of the communities we serve into the next century.



**UNITED STATES
POSTAL SERVICE**

"Year after year, we've been one of the most highly rated service organizations in both government and the private sector. Despite this success, our competition is growing more fierce every day. It's coming at us from all sides. ... All of this competition makes it imperative that we continue to build customer satisfaction and improve the quality of our products and services."

Marvin Runyon
Consumer Affairs
National Conference
Potomac, Maryland
September 1, 1993



Our Purpose, Vision, and Guiding Principles

Purpose

Our purpose is to provide every household and business across the United States with the ability to communicate and conduct business with each other and the world through prompt, reliable, secure, and economical services for the collection, transmission, and delivery of messages and merchandise.

Vision

Our postal products will be recognized as the best value in America. We will evolve into a premier provider of 21st-century postal communications. We will be the most effective and productive service in the federal government and markets that we serve.

Guiding Principles

The Postal Service is committed to:

- People
- Customers
- Excellence
- Integrity
- Community Responsibility

Our Goals

Customer Satisfaction:

Customer satisfaction means providing products and services of such high value that customers choose them as the preferred means for handling their messages, merchandise, and transactions.

Commitment to Employees:

Commitment to employees recognizes the postal work force as our most important resource. By demonstrating this commitment, the Postal Service will, in turn, earn a competitive advantage from the increased teamwork and initiative of its employees.

Revenue Income Generation:

We will maintain the financial stability of the Postal Service by constantly extending our customer base through new and improved products and services. We will generate new business and capture efficiencies so that we maintain a healthy, viable postal system.

To the Governors and Congress:

The Postal Service and its employees made considerable progress in 1993. We set ambitious goals for the year, and we met them. We kept our promises to reduce postal overhead, extend rate stability, and increase customer satisfaction.

We established the guiding principles featured in this report to ensure that we achieve our vision of an accountable, credible, competitive Postal Service, in touch with the present and future needs of its customers.

We completed one of the largest restructurings in the history of federal government, eliminating thousands of support positions without layoffs. That effort helped bring our career complement to its lowest point since 1984.

Our employees also worked hard to improve our financial condition so we could stabilize postage rates and improve our competitiveness. In early 1992, we were expected to lose \$2.2 billion during fiscal year 1993 and increase rates in 1994. We didn't let that happen. By restructuring, building our business to a record mail volume of 171 billion pieces, and improving productivity by 3.8 percent, our net loss was significantly below this original amount.

However, we also incurred some additional charges which increased our total loss for the year. These included an \$857 million charge under budget deficit legislation and a \$318 million shortfall in revenue forgone. We also incurred a \$537 million extraordinary expense to refinance part of our long-term debt. This action will save us more than \$2 billion, on an undiscounted basis, in future interest expenses.

These extras caused us to record a net loss of almost \$1.8 billion for the year; however, had we done nothing, the total loss would have been much higher. But we took some big steps to attack the deficit, and have positioned ourselves to keep postage rates steady until 1995. This will mark the first time postage rates have held steady for four straight years since the U.S. Postal Service was created more than two decades ago.

At the same time, we improved service quality, making it our top priority. Customers responded with record levels of satisfaction. During our second quarter, independent measurements showed that nearly nine out of 10 household customers surveyed approved of our service, and we remained on that plateau through the rest of the year.

The year was filled with service highlights. We provided some of the finest holiday mail service in recent memory. We expanded hours in postal lobbies and on mail receiving docks, and began to accept credit cards for purchases. We simplified regulations, forms, and procedures to make doing business with us easier.

We also did a better job processing and distributing the mail. Independent measurement showed that overnight-committed First-Class Mail service either improved or remained the same each quarter over the previous year.

During the year, we began testing a system to measure third-class mail service, and signed contracts to survey the opinions of business customers and measure the service we provide to newspapers and magazines. We also improved our tracking and tracing services to help customers keep tabs on their Express Mail packages.

The key to these service improvements was the individual and collective efforts of postal employees to reach out to customers. In 1993, thousands of employees went the extra mile during some tough weather conditions. They delivered through the "Storm of the Century" on the East Coast in March and the "Great Midwest Flood" in the summer months, often overcoming great obstacles to serve their customers. Overall, our employees did a tremendous job, improving our service quality in a new, leaner organizational structure.

Recognizing that employee satisfaction is necessary to build customer satisfaction, we took several steps to improve working conditions and show our commitment to our people. We began allowing employees to rate their bosses' "people skills" for the first time. We created a new leadership team that includes the officers of the Postal Service and the presidents of our seven unions and management associations, and began working to set up local leadership teams across the nation. We empowered employees to serve customers, and adopted new performance-based pay systems for managers to help build teamwork and cooperation throughout the Postal Service.

These efforts paid off. Our second annual survey of employees, with responses from more than a half million employees, showed gains in many important areas. While we still have a lot of work to do, we are making progress toward a more participatory and cooperative work culture.

Overall, 1993 was a success. We improved our service quality. Just as important, we made some major changes in our attitude, setting the pace for reinventing government. Instead of just making the rounds, we are looking for opportunities to solve problems and satisfy customers. We are taking steps to think and act like a business.

We plan to build on this progress in 1994, and we expect it to be a challenging year. We will be closing out a fourth consecutive year of stable rates, filing for new rates that will affect our competitiveness for years to come, and negotiating labor contracts with three of our largest unions representing 83 percent of our career work force. To improve our performance, we have set some challenging goals to raise customer satisfaction, improve our commitment to employees, and build revenues to take the pressure off rising costs.

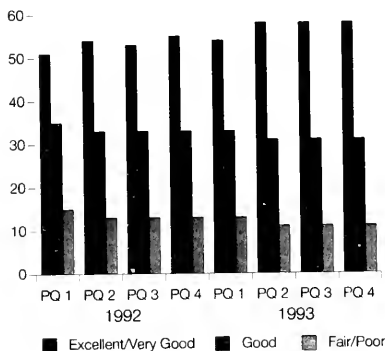
If we draw strength from our achievements in 1993, and tackle the challenges ahead with the same attitude and creativity, I am confident that we will continue to deliver success together.



Postmaster General Marvin Runyon discusses the Purpose, Vision, and Guiding Principles at a Town Hall Meeting at the General Mail Center in Los Angeles, California.

1993 Customer Satisfaction Highlights and Achievements

**Customer Satisfaction Index (CSI)
Overall Performance
Fiscal Years 1992-1993
(Percent)**



The Customer Satisfaction Index places the Postal Service report card in the hands of its customers. By year's end, in postal quarter 4, a record 58 percent of residential customers rated overall service as "excellent" or "very good." Twenty-seven of the 85 Customer Service Districts improved their performance in this category by five percentage points or more compared with last year.

In addition, 89 percent of the households nationwide rated their overall experiences with the Postal Service as "excellent," "very good," or "good." That was an improvement of two percentage points over the same period last year.

■ **Postal Business Centers.** Business Centers provide professional support programs that cover a broad range of mail-preparation and automation information for a customer base of some 7.5 million small- to medium-volume mailers.

■ **Service in 5 Minutes or Less** was rolled out nationally in June 1993. The national standard to be implemented in fiscal year 1994 will be to serve post office customers in five minutes or less, with each office responsible for establishing its own plans for making that goal.

■ **Adjusted Window/Bulk Mail Acceptance Hours.** Guidelines developed in fiscal year 1993 provided local offices with the tools necessary to determine how to provide service hours that meet customer needs.

■ **Postal Customer Councils,** composed of 176,000 members in 314 councils nationwide, continue to identify local customer needs and develop solutions to mailer-related problems.

■ **Postal Answer Line,** an automated telephone information service designed to provide recorded responses to common customer inquiries, operates 24 hours a day at 81 sites across the country, and handles an average of 3.9 million customer calls per year.

■ **Competitive Services Task Force.** In 1992, 61 private industry executives and 19 postal managers met to discuss what the Postal Service could do to serve customers more effectively and to be more competitive in today's marketplace. Of the task force's 183 recommendations, 155 (85 percent) have been evaluated and accepted, and more than half of them have been implemented. Topping the task force's list were recommendations to revise the *Domestic Mail Manual* and simplify regulations, restructure the organization to be more customer-focused, deploy more external measurement systems, introduce more contemporary postage payment systems, and promote the value of advertising mail to advertisers. Each of these proposals has been implemented.

■ **Customer Advisory Councils.** The number of Customer Advisory Councils continues to grow. These councils allow local postal officials to listen to their customers and hear their concerns. During fiscal year 1993, the number of councils grew from 338 to 1,262.

1993 Revenue Income Generation Highlights and Achievements

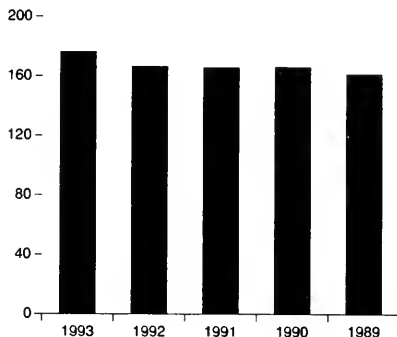
■ **Mail Volume.** Mail volume increased almost five billion pieces, or 2.9 percent, to 171 billion pieces in fiscal year 1993. First-Class Mail volume grew 1.5 percent. Most of this growth was concentrated in presort mail which grew by 4.1 percent. The average weight of First-Class Mail pieces grew by 3.5 percent. The result of this weight growth was more pieces paying charges for additional ounces, thus a revenue growth of 1.9 percent, which outstripped volume growth.

■ **Priority Mail.** Priority Mail accounted for 4.8 percent of Postal Service revenue and volume increased 13.7 percent to 664 million pieces.

■ **Easy Stamp Programs.** What started almost 20 years ago with the convenience of Stamps by Mail now has expanded to an Easy Stamp services program that offers stamp-buying alternatives to meet the busy and changing lifestyles of customers. *Stamps on Consignment* allows customers to obtain stamps at more than 27,000 businesses nationwide and generated more than \$600 million in revenue in 1993. *Stamps by Mail* has more than tripled in the last four years, with sales reaching \$66 million in 1993. Orders are filled and returned within five business days and there is no service charge. *Stamps by Phone* sales grew to more than \$5 million. *Stamps by PRODIGY* is available to customers who own home computers and subscribe to the PRODIGY service. *Stamps by ATM*, the newest Easy Stamp service, allows customers to purchase stamps from select ATMs nationwide.

■ **Bank/Credit Card Acceptance.** The Postal Service now accepts credit and debit cards at 555 post offices in the Dallas/Fort Worth, Texas; Orlando, Florida; and Washington, DC, metropolitan areas as part of a test designed to increase customer convenience. The benefits of accepting credit and debit cards include increased revenue generation in competitive products such as Express Mail and Priority Mail.

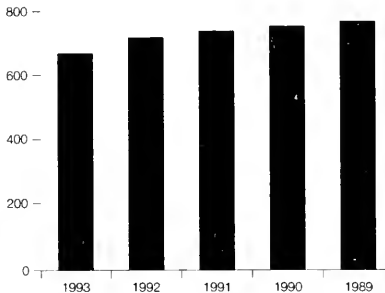
**Mail Volume Comparison
Fiscal Years 1989-1993
(in billions)**



Mail volume steadily increased throughout the year, resulting in an overall increase of 2.9 percent over 1992.

1993 Commitment to Employees Highlights and Achievements

**Total Career Complement
Fiscal Years 1989-1993
(In thousands)**



During fiscal year 1993, the number of career employees dropped 4.6 percent to 691,723.

■ **Employee Opinion Survey.** The results of two nationwide Employee Opinion Surveys were released in 1993. Designed as a vehicle for cultural change within the Postal Service, the surveys reflected the strengths and weaknesses of the organization and indicated a recognition of the need for overall structural changes. In the first survey, conducted in 1992, employees favorably ranked the categories of pay, benefits, and job security. The survey revealed that employees enjoyed their work and expressed pride in working for the Postal Service. In response to the many cultural and managerial changes implemented throughout the year, the results of the 1993 Employee Opinion Survey showed improvement in several areas. Employees reported that the Postal Service was doing a better job delivering quality service, improving relationships, and making the organization a better place to work. The 1993 survey also indicated the need to focus on working conditions, employee feedback and cooperation, and the recognition of quality performance.

■ **360-degree Feedback.** Postal officers and Postal Career Executive Service managers will have to demonstrate they have "people skills" along with other managerial talents to get promoted in the Postal Service. Officers and executives in fiscal year 1993 were reviewed by their staffs, peers, and managers, in addition to completing a self-analysis using a questionnaire developed by PDI Inc. of Minneapolis, Minnesota.

■ **Performance Clusters.** Another "culture" change coming out of the 1992 restructuring, this concept calls for key managers at the plant and district levels to form teams called performance clusters. This concept of team effort and shared reward based on goal achievement is a major break with past postal pay systems.

■ **PMG Town Hall Meetings.** To acquaint employees with issues of importance to them — and to get their feedback and ideas — the Postmaster General and other officers conducted four employee town hall meetings. In Dallas, Texas, Employee Opinion Survey results were discussed. In Brockton, Massachusetts — site of the first Customer Satisfaction Index score of 98 percent — service was the topic. In Minneapolis/St. Paul, Minnesota, postal finances were discussed, and in Los Angeles, California, employees were cited for their commitment to the Purpose, Vision, and Guiding Principles.

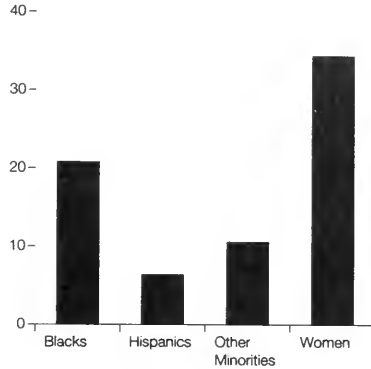
1993 Commitment to Employees Highlights and Achievements

■ **Diversity Development.** The creation of a Diversity Development function in 1992 has been a major contributor to cultural and management change within the Postal Service. This function serves both postal employees and customers by ensuring that the organization recognizes and appreciates the needs of all members of our culturally diverse society. There are four major functions within Diversity Development: Affirmative Action, Customer Interface, Vendor Programs, and Policies and Planning. In addition, an Education and Research team operates as a direct reporting function to the vice president of Diversity Development. This team conducts education and orientation programs, develops methodology for cultural assessments, and assists in the analysis of the Employee Opinion Survey.

■ **Employee Training/Development.** The former Training and Development Department was completely restructured. Resident technical training remains based in Norman, Oklahoma, while non-technical training — renamed Management and Employee Development — is now located in Chicago, Illinois. The Technical Training Center used both distant learning devices, such as satellite training and audio teletraining, and on-site field training to reach more than half of its 21,000 students in 1993. The revision of supervisory and managerial leadership courses focused on incorporating desired cultural change into daily operations of the Postal Service. Employees were provided behavior-style workshops, labor/management joint training ventures, team building, conflict resolution, and communications skills courses.

■ **Transition Centers.** The Postal Service established career transition centers to assist more than 1,000 headquarters and regional employees displaced by the administrative reorganization. The centers, jointly operated by the Postal Service and a career management firm, provided counseling, training, and temporary and permanent job placement assistance. Throughout this process, no employees were laid off. By November 1993, fewer than 80 employees originally assigned to the transition centers lacked permanent assignments. As a temporary accommodation, these remaining employees were given detail assignments within the organization.

**Work Force Profile
Fiscal Year 1993
(Percent)**



The Postal Service is one of the nation's leading employers of minorities and women. The Diversity Development office was established in 1992 to serve as the Postal Service's social conscience.

Throughout 1993, the office's efforts continued to increase employees' awareness of and appreciation for ethnic and cultural diversity, both in the postal workplace and among customers.

Governors of the United States Postal Service

Above, seated left to right: LeGree S. Daniels, Norma Pace, Bert H. Mackie, and Susan E. Alvarado. Standing: Tirso del Junco, M.D., Crocker Nevin, J. Sam Winters, and Robert Setrakian. David Harris, far right, is full-time secretary for the Board of Governors.

The Postal Service Board of Governors is an 11-member board comparable to the board of directors of a publicly owned corporation.

Nine of the members (the "governors") are appointed by the president with the advice and consent of the Senate. These governors select a Postmaster General, who becomes a member of the board, and those 10 select a Deputy Postmaster General, who also serves on the board. The chairman and vice chairman are elected at the January meeting each year.

The board directs and controls expenditures of the Postal Service, reviews its practices, conducts long-range planning, and sets policies on all postal matters.

The board meets monthly, usually on the first Monday and Tuesday, and takes up matters such as service standards and facility projects and other capital investments exceeding \$10 million.

Bert H. Mackie, *Chairman of the Board of Governors*, was appointed in December 1988 to be a governor for a term expiring in December 1997. He is currently president of the Security National Bank of Enid, Oklahoma, as well as a member of its board of directors.

Tirso del Junco, M.D., *Vice Chairman of the Board of Governors*, was appointed to the board in July 1988 for a term that expired in December 1991 and was reappointed to another full term expiring in December 2000. He is a Los Angeles surgeon and serves as a member of the board of regents of the University of California.

Susan E. Alvarado was appointed in July 1988 to serve on the board for a term expiring in December 1996. She is vice president of Akmer International Inc., an Alexandria, Virginia, exporter/importer and fabricator of marble and granite products.

LeGree S. Daniels was appointed to the board in August 1990 for a term expiring in December 1998. She is a member of the Penn State University Board of Advisors, Harrisburg campus, and formerly served as the U.S. Department of Education's Assistant Secretary for Civil Rights from 1987 to 1989.

Crocker Nevin first served on the Board of Governors from 1971 to 1977. He was appointed to his second term in August 1986 and served the remainder of a term expiring in December 1992. As provided by law, he served on the board one year beyond the expiration of his term. He is currently chairman of the board of CF&I Steel Corporation.

Norma Pace was appointed to the board in May 1987 for a term expiring in December 1994. She served as chairman of the Board of Governors from January 1991 to January 1993. She is president of Economic Consulting and Planning Inc. and is Senior Economic Advisor and Director of The WEFA Group.

Robert Setrakian was appointed to the board in December 1985 for a term expiring in December 1993. He previously served as Chairman of the Board of Governors from January 1989 to January 1991. He is president and chairman of the William Saroyan Foundation, Director of F.N. Financial Corporation, and First Nationwide Bank.

J. Sam Winters was appointed to serve on the board in November 1991 for a term expiring in December 1999. He is chairman of the board's Audit Committee, a member of the law firm of Clark, Thomas & Winters, and a member of the board of directors of the First Interstate Bank of Texas.

Also members of the Board of Governors:

Marvin Runyon was named 70th Postmaster General of the United States in May 1992 by the nine presidentially appointed members of the Board of Governors. Prior to his appointment, he served as chairman of the Tennessee Valley Authority.

Michael S. Coughlin, a career postal employee, was appointed Deputy Postmaster General by the board in January 1987, after holding a series of top-level postal management positions. As a ranking official in the U.S. Postal Service, he is the chief of staff for the Postmaster General.

Changes during the year:

Governor **John N. Griesemer**, reappointed to a term scheduled to end in 1995, died of a heart attack in July at his Springfield, Missouri, residence. First appointed to the Board of Governors in 1984, he served as board chairman in 1987 and again in 1988.

Officers of the United States Postal Service

Marvin Runyon



Michael S. Coughlin



Joseph R. Caraveo



Mary S. Elcano



Samuel Green Jr.



William J. Henderson



Peter A. Jacobson



Michael J. Riley



Deborah K. Bowker



David H. Charters



James A. Cohen

Officers of the Postal Service are appointed by, and serve at the pleasure of, the Postmaster General to execute and fulfill the duties of their office according to law. In selecting them, the Postal Service places special trust and confidence in their integrity and ability.

Marvin Runyon
Postmaster General and
Chief Executive Officer

Michael S. Coughlin
Deputy Postmaster General

Joseph R. Caraveo
Chief Operating Officer and
Executive Vice President

Mary S. Elcano
Senior Vice President and
General Counsel

Samuel Green Jr.
Senior Vice President
Customer Service and Sales

William J. Henderson
Chief Marketing Officer and
Senior Vice President

Peter A. Jacobson
Senior Vice President
Processing and Distribution

Michael J. Riley
Chief Financial Officer and
Senior Vice President, Finance

Deborah K. Bowker
Vice President
Corporate Relations

David H. Charters
Vice President
Quality

James A. Cohen
Judicial Officer

Veronica O. Collazo
Vice President
Diversity Development

William J. Dowling
Vice President
Engineering

Mitchell H. Gordon
Vice President
Facilities

Kenneth J. Hunter
Chief Postal Inspector

Allen R. Kane
Vice President
Product Management

Joseph J. Mahon Jr.
Vice President
Labor Relations

M. Richard Porras
Vice President
Controller

Darrah Porter
Vice President
Purchasing

Ann McK. Robinson
Vice President
Consumer Advocate

Gail G. Sonnenberg
Vice President
Marketing Systems

Richard D. Weirich
Vice President
Information Systems



Veronica O. Collazo



William J. Dowling



Mitchell H. Gordon



Kenneth J. Hunter



Allen R. Kane



Joseph J. Mahon Jr.



M. Richard Porras



Darrah Porter



Ann McK. Robinson



Gail G. Sonnenberg



Richard D. Weirich

At the conclusion of fiscal year 1993, which ended on September 30, there were three officer vacancies. As a result of minor restructuring in August, vice presidents had yet to be assigned to the offices of Legislative Affairs, Employee Relations, and Technology Applications.

New Appointments for Fiscal Year 1994

Robert F. Harris



Suzanne J. Henry



Robert Reisner

Officers

Robert F. Harris
Vice President
Legislative Affairs
(November 1993)

Suzanne J. Henry
Vice President
Employee Relations
(November 1993)

Robert Reisner
Vice President
Technology Applications
(December 1993)



Einar V. Dyhrkopp

Governors

Einar V. Dyhrkopp was appointed to the board in November 1993. He is president and founder of Tecumseh International Corporation, a coal-marketing firm.

Processing and Distribution Area Managers

ALLEGHENY AREA

Robert J. Sheehan
Allegheny Area Manager
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1 Marquis Plaza
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GREAT LAKES AREA

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Great Lakes Area Manager
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FAX: (708) 260-5130

MID-ATLANTIC AREA

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MIDWEST AREA

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NORTHEAST AREA

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PACIFIC AREA

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Pacific Area Manager
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SOUTHEAST AREA

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Customer Service and Sales Area Managers

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GREAT LAKES AREA

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NEW YORK METRO AREA

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Customer Service and Sales
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PACIFIC AREA

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WESTERN AREA

Linda Medina
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FAX: (303) 391-5002

Financial Statements

Balance Sheets

	September 30,	
	1993	1992
	(dollars in millions)	
Assets		
Current assets		
Cash and cash equivalents	\$ 1,473.6	\$ 335.1
U.S. Government securities, at cost		
(current value of \$1,747.0 million		
in 1993 and \$4,666.5 million in 1992)	1,748.8	4,514.1
Receivables		
Foreign countries	561.1	507.9
U.S. Government	108.9	99.5
Consignment	103.3	74.5
Accrued interest and other	150.4	145.7
	<u>923.7</u>	<u>827.6</u>
Less allowances	58.3	42.7
Total receivables, net	<u>865.4</u>	<u>784.9</u>
Supplies, advances, and prepayments	<u>390.3</u>	<u>393.3</u>
Total current assets	<u>4,478.1</u>	<u>6,027.4</u>
Other assets, principally revenue forgone		
appropriations receivable — Note 6	202.5	160.8
Property and equipment, at cost — Note 7		
Buildings	9,970.5	9,481.2
Equipment	7,219.5	6,450.7
Land	<u>1,715.2</u>	<u>1,649.0</u>
	<u>18,905.2</u>	<u>17,580.9</u>
Less allowances for depreciation	<u>6,106.9</u>	<u>5,393.3</u>
	<u>12,798.3</u>	<u>12,187.6</u>
Construction in progress	2,503.5	2,265.4
Leasehold improvements, net of amortization	<u>232.7</u>	<u>243.4</u>
Total property and equipment, net	<u>15,534.5</u>	<u>14,696.4</u>
Deferred retirement costs — Note 5	<u>27,066.0</u>	<u>26,780.1</u>
	<u>\$ 47,281.1</u>	<u>\$ 47,664.7</u>

See accompanying notes to financial statements.

Financial Statements
Balance Sheets

	1993	September 30, 1992
	(dollars in millions)	
Liabilities and Net Capital Deficiency		
Current liabilities		
Compensation and benefits	\$ 3,933.7	\$ 3,292.4
Accrued restructuring costs — Note 2	118.6	1,010.0
Estimated prepaid postage	1,529.4	1,501.0
Payables and accrued expenses		
Foreign countries	714.4	613.0
U.S. Government	329.8	313.1
Other	578.5	325.8
Total payables and accrued expenses	1,622.7	1,251.9
Prepaid permit mail and box rentals	1,175.1	1,045.4
Outstanding postal money orders	698.2	632.7
Current portion of long-term debt	1,062.0	750.8
Total current liabilities	10,139.7	9,484.2
Long-term debt, less current portion (current value of \$9,534.8 million in 1993 and \$10,447.2 million in 1992) — Note 7	8,686.3	9,173.3
Other liabilities		
Amounts payable for retirement benefits — Note 5	25,915.3	25,717.1
Workers' compensation costs	4,500.0	4,080.0
Retroactive assessments payable to the U.S. Government — Note 3	1,528.4	1,088.9
Employees' accumulated leave	1,398.1	1,325.3
Other	161.0	79.0
	33,502.8	32,290.3
Commitments and contingencies — Notes 8 and 9		
Net capital deficiency		
Capital contributions of the U.S. Government	3,034.1	3,033.8
Deficit since reorganization	(8,081.8)	(6,316.9)
Total net capital deficiency	(5,047.7)	(3,283.1)
	<u>\$ 47,281.1</u>	<u>\$ 47,664.7</u>

See accompanying notes to financial statements.

Financial Statements
Statements of Operations and Changes
in Net Capital Deficiency

	Years ended September 30,	
	1993	1992
	(dollars in millions)	
Operating revenue — Note 6	\$ 47,582.0	\$ 46,695.8
Operating expenses		
Compensation and benefits — Notes 4 and 5	38,447.7	37,122.0
Other	7,744.9	7,520.9
Restructuring costs — Note 2	129.0	1,010.0
	<u>46,321.6</u>	<u>45,652.9</u>
Income from operations	1,260.4	1,042.9
Interest and investment income	404.2	409.2
Interest expense on unfunded retirement liabilities — Note 5	(1,345.9)	(1,269.0)
Interest expense on borrowings	(620.2)	(638.2)
Imputed interest on OBRA 1990 retroactive assessment for employee benefits — Note 3	(69.9)	(81.4)
Loss before OBRA 1993 retroactive interest assessment and extraordinary item	(371.4)	(536.5)
OBRA 1993 retroactive interest assessment — Note 3	(857.0)	—
Loss before extraordinary item	(1,228.4)	(536.5)
Extraordinary item — debt refinancing premium — Note 7	(536.5)	—
Net loss	(1,764.9)	(536.5)
Net capital deficiency — beginning of year	(3,283.1)	(2,746.9)
Capital equipment transfers from the U.S. Government	0.3	0.3
Net capital deficiency — end of year	<u>(\$ 5,047.7)</u>	<u>(\$ 3,283.1)</u>

See accompanying notes to financial statements.

Financial Statements

Statements of Cash Flows

	Years ended September 30,	
	1993	1992
	(dollars in millions)	
Cash flows from operating activities:		
Net loss	(\$ 1,764.9)	(\$ 536.5)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	888.7	784.1
Gain on sales of investments, net	(166.0)	(63.7)
Loss on disposals of property and equipment, net	61.1	53.9
Increase in other assets, principally revenue forgone appropriations receivable	(41.7)	(64.2)
Increase in retirement costs, net of retirement benefits payable	(0.5)	(23.0)
(Decrease) increase in accrued restructuring costs	(891.4)	1,010.0
Increase in workers' compensation costs	456.7	633.7
Increase (decrease) in retroactive assessments payable to the U.S. Government	548.9	(231.6)
Increase in employees' accumulated leave	72.8	129.5
Increase (decrease) in other liabilities	82.0	(38.6)
Changes in current assets and liabilities:		
Increase in receivables, net	(80.5)	(128.3)
Decrease (increase) in supplies, advances and prepayments	3.0	(94.3)
Increase (decrease) in compensation and benefits	408.0	(83.1)
Increase in estimated prepaid postage	28.4	5.0
Increase in payables and accrued expenses	370.8	341.3
Increase in prepaid permit mail and box rentals	129.7	66.7
Increase in outstanding postal money orders	65.5	58.7
Net cash provided by operating activities	170.6	1,819.6
Cash flows from investing activities:		
Purchase of U.S. Government securities	(47,069.5)	(11,928.4)
Proceeds from sale of U.S. Government securities	50,032.5	10,702.8
Purchase of property and equipment	(1,885.0)	(2,474.9)
Proceeds from sale of property and equipment	65.7	21.3
Net cash provided by (used in) investing activities	1,143.7	(3,679.2)
Cash flows from financing activities:		
Issuance of long-term debt	5,000.0	2,006.0
Payments on long-term debt	(5,175.8)	(522.3)
Net cash (used in) provided by financing activities	(175.8)	1,483.7
Net increase (decrease) in cash and cash equivalents	1,138.5	(375.9)
Cash and cash equivalents at beginning of year	335.1	711.0
Cash and cash equivalents at end of year	<u>\$ 1,473.6</u>	<u>\$ 335.1</u>

See accompanying notes to financial statements.

Notes to Financial Statements September 30, 1993 and 1992

1. Postal Reorganization and Accounting Policies

Postal Reorganization

The United States Postal Service (Postal Service) commenced operations on July 1, 1971, in accordance with the provisions of the Postal Reorganization Act. Its initial capital consisted of the equity of the Government of the United States in the former Post Office Department, with assets carried at original cost less depreciation. All liabilities attributable to operations of the former Post Office Department remained liabilities of the U.S. Government, except that the unexpended balances of appropriations made to, held or used by, or available to the former Post Office Department and all liabilities chargeable thereto became assets and liabilities, respectively, of the Postal Service.

Cash Equivalents

Cash equivalents include securities with maturities at date of purchase of 90 days or less.

Property and Equipment

Property and equipment are recorded at cost, including interest on funds borrowed to finance the construction of major capital additions. Such interest amounted to \$115.3 million in fiscal year 1993 and \$129.9 million in fiscal year 1992. Buildings and equipment are depreciated over their estimated useful lives using the straight-line method. Leasehold improvements are amortized over the lesser of the lease period or their useful lives.

Estimated Prepaid Postage

Estimated prepaid postage represents the estimated amount of revenue collected prior to the end of the year for which services will be performed in the following year.

Compensation and Benefits

Amounts payable for compensation and benefits consist of current liabilities for costs related to current employees and postal annuitants. Such liabilities include those arising from current salaries and benefits earned but not yet paid, currently payable workers' compensation costs, unemployment costs, annuitants' health benefits payable, and current portions of retirement liabilities. As a part of management's continuing evaluation of estimates required in the preparation of its financial statements, additional liabilities of approximately \$150 million were recorded in fiscal year 1993 to recognize increases in the estimated cost of personnel-related liabilities incurred prior to 1993.

Retirement Benefits

Amounts payable for retirement benefits reflect the net present value of the Postal Service's legal obligation to the Civil Service Retirement and Disability Fund (the CSRS Fund) arising from increases in basic pay granted by postal management to its employees and cost-of-living adjustments (COLAs) to postal annuitants based on postal service. Also included in this total is the net present value of an unfunded liability arising from the transfer of Civil Service Retirement System (CSRS) employees into the Federal Employees Retirement System (FERS). These liabilities are payable in equal amounts over a 30-year period, with the exception of COLAs, which are payable over 15 years. Amounts applicable to operations of future years are capitalized as deferred retirement costs and are subsequently amortized over periods of 30 and 15 years. The Postal Service's participation in the retirement plans are accounted for as participation in multiemployer plan arrangements. Accordingly, retiree benefits costs are expensed as incurred.

Post-Retirement Health Benefits

Retiree health benefits costs represent the Postal Service's obligation to pay a portion of the health insurance premiums of retirees (and their survivors) participating in the Federal Employees Health Benefits Program (FEHBP). The Postal Service's participation in the FEHBP is accounted for as participation in a multiemployer plan arrangement. Accordingly, retiree health benefits costs are expensed as incurred.

Workers' Compensation Costs

Workers' compensation costs are self-insured by the Postal Service and administered by the Department of Labor. Such costs, which include both medical and wage continuation costs, are recorded as an operating expense in the year of injury at the present value of the total estimated costs of claims. Estimates of the total costs of claims are based upon severity of injury, age, assumed mortality, experience trends, and other factors. In fiscal year 1993, management adopted changes in the net discount rates used in determining the present value of estimated future workers' compensation payments. The net discount rate for compensation claims was increased to 3.0 percent from 2.7 percent; the net discount rate for medical claims was decreased to 0.1 percent from 1.1 percent. The net effect of the adoption of these rates has been accounted for as a change in accounting estimate, and accordingly resulted in a net decrease of \$23.6 million in the fiscal year 1993 compensation and benefits expense. In management's opinion, these net discount rates better reflect the excess of future rates of return on postal investments over expected future inflation rates for each type of claim.

Research and Development Costs

Research and development costs, which relate primarily to new equipment design, are expensed as incurred. Such costs amounted to \$57.5 million in fiscal year 1993 and \$167.8 million in fiscal year 1992.

Current Values of Financial Instruments

Current values of investments in non-marketable U.S. Government securities are based on the current values of equivalent marketable U.S. Government securities. Current values of Postal Service debt obligations are based on the estimated cost to retire the debt utilizing current yields on equivalent U.S. Treasury obligations.

Reclassifications

Certain reclassifications have been made to previously reported amounts in order to conform to the current year presentation.

2. Restructuring of Operations

During 1992, the Postal Service began a series of actions to improve its competitive and financial positions by realigning and streamlining management and reducing functions not directly related to the processing and delivery of mail. As a result of this restructuring, a reduction in the size of the career postal work force has been accomplished through a retirement incentive program. The program was made available on August 7, 1992, to substantially all employees currently eligible to retire or meeting certain other criteria. The retirement incentive program expired in fiscal year 1993 for substantially all employees.

Of the restructuring costs of \$1.01 billion recorded in 1992, approximately \$931 million consisted of provisions for the separation of employees through retirement incentives, with the remainder relating primarily to relocation costs and the cancellation of various leases and contracts. As a result of management actions in fiscal year 1993 related to further restructuring efforts, the Postal Service accrued \$129 million in 1993 to recognize additional expenses, primarily for employee retirement incentives and relocation costs.

3. Retroactive Assessments for Employee Benefits**Omnibus Budget Reconciliation Act of 1990**

The Omnibus Budget Reconciliation Act (OBRA) of 1990, enacted in October 1990, extended the Postal Service's obligation to pay the employer's portion of annuitant COLAs (Note 5) and health benefits (Note 4). The OBRA of 1990 also assessed the Postal Service for retroactive amounts to be paid in five annual installments, beginning in fiscal year 1991, totalling \$2.14 billion. The assessment represents the employer's portion of annuitant COLAs and health benefits, previously paid by the U.S. Government, that the Postal Service would have paid had the provisions of the OBRA of 1990 been in effect from July 1, 1971, through September 30, 1986.

The retroactive assessments payable under the OBRA 1990, on a present value basis, are as follows (dollars in millions):

Fiscal Year	Health Benefits	COLAs	Total
1991	\$ 56.0	\$ 216.0	\$ 272.0
1992	47.0	266.0	313.0
1993	62.0	316.0	378.0
1994	56.0	416.0	472.0
1995	234.0	471.0	705.0
			<u>2,140.0</u>
Less amount representing imputed interest at 5 percent			
			<u>329.9</u>
Retroactive assessment for employee benefits expensed in 1991			
			1,810.1
Less installments paid through 1993			
			721.2
Less the 1994 installment classified as a current liability in compensation and benefits			
			<u>417.5</u>
			<u>\$ 671.4</u>

Omnibus Budget Reconciliation Act of 1993

The OBRA of 1993, enacted in August 1993, obligated the Postal Service to pay interest on the retroactive assessments due under the OBRA of 1990. The interest assessment will be paid in three annual installments, beginning in fiscal year 1996, totalling \$1.041 billion. The assessment represents interest, at 5 percent, on the employer's portion of annuitant COLAs and health benefits, previously paid by the U.S. Government, that the Postal Service would have paid had the provisions of the OBRA of 1990 been in effect from July 1, 1971, through September 30, 1986.

The amounts payable under the OBRA 1993, on a present value basis, are as follows (dollars in millions):

Fiscal Year	Health Benefits	COLAs	Total
1996	\$ 118.0	\$ 231.0	\$ 347.0
1997	116.0	231.0	347.0
1998	116.0	231.0	347.0
			<u>1,041.0</u>
Less amount representing imputed interest at 5 percent			
			<u>184.0</u>
Retroactive interest assessment expensed in 1993			
			<u>\$ 857.0</u>

4. Post-Retirement Health Benefit Programs

Career employees of the Postal Service are eligible to participate in the FEHBP, which is administered by the Office of Personnel Management (OPM), during their employment and also after retirement. Under the FEHBP, the Postal Service pays a portion of the health insurance premiums of participating employees, retirees, and their survivors.

The OBRA of 1990 requires the Postal Service to pay the employer's share of health insurance premiums incurred through participation in the FEHBP for all employees retiring on or after July 1, 1971, and their survivors, with the exclusion of costs attributable to federal civilian service prior to that

date. Such costs amounted to \$510 million in fiscal year 1993 and \$380 million in fiscal year 1992 and are included in compensation and benefits expense.

As discussed in Note 3, the OBRA of 1990 also required the Postal Service to reimburse the U.S. Government for annuitants' health benefits costs paid prior to the enactment of the law.

5. Retirement Programs

Description of Plans

The Postal Reorganization Act provided that officers and career employees of the Postal Service were to be covered by the CSRS, which provides a basic annuity and Medicare coverage. Substantially all employees hired prior to January 1, 1984, are covered by the CSRS. The Postal Service and each participating employee contribute an amount equal to 7 percent of the employee's basic pay to the Civil Service Retirement and Disability Fund (CSRS Fund) and also make Medicare contributions at the statutorily prescribed rate. The Postal Service makes no matching contributions to the Thrift Savings Plan for CSRS employees.

Employees hired between January 1, 1984, and January 1, 1987, were covered by the provisions of the Dual CSRS/Social Security System until January 1, 1987. Certain employees with prior government service continue to be covered by such provisions. The Postal Service contributes an amount equal to 7 percent of each employee's basic pay to the CSRS Fund. The employee contribution rate is 0.8 percent of basic pay. Both the Postal Service and the employee make contributions for Social Security and Medicare at the statutorily prescribed rates. The Postal Service makes no matching contributions to the Thrift Savings Plan for Dual CSRS/Social Security System employees.

Effective January 1, 1987, employees hired since January 1, 1984, except as noted above, are subject to the provisions of the Federal Employees Retirement System (FERS) Act of 1986. In addition, employees hired prior to January 1, 1984, were able to elect participation in FERS during certain periods in fiscal years 1987 and 1988. FERS is a three-tier retirement system consisting of Social Security, a basic annuity plan, and a thrift savings plan.

The Postal Service made contributions to the FERS basic annuity plan in an amount equal to 12.9 percent of each employee's basic pay in 1993 and 1992. The employee contribution rate was 0.8 percent of basic pay in both years. Both the Postal Service and each employee contribute to Social Security and Medicare at the statutorily prescribed rates. In addition, the Postal Service is required to contribute a minimum of 1 percent per annum of the basic pay of FERS employees to the thrift savings plan. Contributions by FERS employees to the thrift savings plan are voluntary and are fully matched by the Postal Service up to 3 percent of basic pay and at a 50 percent rate between 3 percent and 5 percent of basic pay.

The number of employees enrolled in each of the retirement plans at the end of fiscal years 1993 and 1992 are as follows:

	1993	1992
CSRS	358,254	405,302
Dual CSRS/Social Security	14,267	14,232
FERS	317,915	304,192

Deferred Retirement Costs

Deferred retirement costs consist of the following unfunded liabilities (dollars in millions):

	1993	1992
CSRS basic pay increases	\$ 22,809.8	\$ 22,872.9
CSRS annuitants' COLAs	3,917.3	3,560.3
FERS	338.9	346.9
	<u>\$ 27,066.0</u>	<u>\$ 26,780.1</u>

Unfunded Liability — CSRS

Under the CSRS, the Postal Service is liable for that portion of any estimated increase in the unfunded liability of the CSRS Fund attributable to Postal Service employee-management agreements that authorize increases in employees' basic pay on which benefits payable from the CSRS Fund are computed. The estimated increase in the unfunded liability as determined by OPM is paid by the Postal Service in 30 equal annual installments with interest computed at 5 percent per annum. The first payment thereof is due at the end of the fiscal year in which an increase in the basic pay becomes effective.

The increases in the unfunded liability for retirement benefits pursuant to employee-management agreements under the CSRS in fiscal years 1993 and 1992 were \$731.5 million and \$1.901 billion, respectively.

Unfunded Liability — Annuitants' COLAs

The OBRA of 1990 made the Postal Service liable, on a prospective basis, for the cost of COLAs granted to postal annuitants (and their survivors) retiring on or after July 1, 1971, with the exclusion of costs attributable to federal civilian service prior to that date. The annual liability created by this law is determined by OPM and funded in equal annual installments over 15 years, with interest at 5 percent per annum. The increase in the unfunded liability for annuitants' COLAs was \$729.7 million in fiscal year 1993 and \$831.7 million in fiscal year 1992.

Unfunded Liability — FERS

The unfunded liability of the FERS basic annuity plan relates to costs associated with employees who transferred from the CSRS. This liability is determined by OPM, and is funded by the Postal Service through supplemental contributions over a 30-year period with interest computed at 7 percent per annum. In fiscal year 1989, OPM determined the initial supplemental liability under FERS attributable to Postal Service employees at September 30, 1988, to be \$400 million. An annual payment of \$32.2 million is due on September 30 of each year.

Future Minimum Payments

The estimated future minimum payments required to fund amounts payable for CSRS and FERS retirement benefits on September 30, 1993, are as follows (dollars in millions):

Fiscal Year	Amount
1994	\$ 2,510.8
1995	2,490.3
1996	2,464.2
1997	2,436.1
1998	2,405.5
Thereafter	30,645.2
	<u>42,952.1</u>
Less the portion classified as a current liability	1,150.7
Less amount representing interest	15,886.1
	<u>\$ 25,915.3</u>

Expense Components

Components of aggregate retirement expenses for fiscal years 1993 and 1992 are shown below (dollars in millions).

	1993	1992
CSRS — regular	\$ 828.1	\$ 941.9
FERS — regular	1,093.0	1,060.5
FERS — Thrift Savings Plan	303.5	275.8
Dual CSRS/Social Security	31.1	31.2
Old Age Survivors and Disability Insurance	853.9	742.2
Amortization of unfunded liabilities:		
CSRS	794.6	804.5
Annuitant COLAs	372.7	337.5
FERS	8.0	7.4
Interest on unfunded liabilities	<u>1,345.9</u>	<u>1,269.0</u>
	<u>\$ 5,630.8</u>	<u>\$ 5,470.0</u>

6. Revenue Forgone

Operating revenue includes reimbursements and accruals for revenue forgone. Revenue forgone results from charging lower rates for those mail categories which Congress has determined should be subsidized through tax dollars. Revenue forgone appropriations included in operating revenue in fiscal years 1993 and 1992 amounted to \$164 million and \$545 million, respectively.

During fiscal years 1992 and 1991, Congress paid to the Postal Service a lower amount for revenue forgone than was required to fully fund services rendered. As of September 30, 1992, the Postal Service had recorded receivables for earned but unpaid revenue forgone appropriations of \$156 million, as the Postal Service had been instructed by law to request these shortfalls through the budget reconciliation process in future years. In fiscal year 1993, the Postal Service requested \$482 million and received an appropriation of \$122 million, resulting in a 1993 funding shortfall for revenue forgone of \$360 million.

On October 28, 1993, the Revenue Forgone Reform Act (Act) was enacted. The Act authorizes Congress to appropriate \$29 million annually through 2035, which will reimburse the Postal Service for earned but unpaid revenue forgone appropriations for 1991, 1992, and 1993, as well as for the cost of phasing out certain aspects of the revenue forgone program in fiscal years 1994 through 1998. In addition, should Congress fail to appropriate an amount authorized, the Act authorizes the Postal Service to adjust rates on subsidized mail categories, so that the resulting increase in revenues will equal the amount Congress failed to appropriate.

The transitional appropriations authorized under the Act total \$1.218 billion. The present value of these future appropriations, calculated at 7 percent, is approximately \$390 million. Management has determined that the present value of the portion of the future appropriations related to unpaid amounts in fiscal years 1991 through 1993 is approximately \$198 million. This amount is recorded as a receivable at September 30, 1993. The net effect of the passage of the Act and subsequent revaluation of the cumulative earned but unpaid revenue forgone for 1991, 1992, and 1993, is to increase the receivable in fiscal year 1993 by \$42 million.

7. Long-Term Debt and Interest Costs

The Postal Reorganization Act, as amended by Public Law 101-227, authorizes the Postal Service to issue and sell obligations not to exceed \$15 billion outstanding at any one time. Net annual increases in outstanding obligations are limited to \$2 billion for the purpose of capital improvements and \$1 billion for operating expenses.

In fiscal year 1993, the Postal Service retired, prior to maturity, \$4,463.5 million of notes payable to the Federal Financing Bank (FFB). These notes had a weighted average interest rate of 8.76 percent. The Postal Service incurred a debt refinancing premium of \$536.5 million, which was recognized as an extraordinary item in fiscal year 1993. The funds for the retirement of the debt were obtained through the issuance of \$5.0 billion of new debt.

Annual maturities of outstanding debt for each of the next five years are (in millions):

Fiscal Year	Amount
1994	\$ 1,062.0
1995	1,260.4
1996	1,863.0
1997	660.0
1998	2,182.7

Cash paid for interest was \$750.4 million in 1993 and \$780.6 million in 1992.

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Long-term debt consists of the following (dollars in millions):

Interest Rate (%)	Terms	1993	September 30, 1992
Notes payable to the Federal Financing Bank (FFB):			
8.075	Payable \$32 million each year to May 31, 2000	\$ 224.0	\$ 256.0
7.800	Payable \$15 million each year to May 31, 2001	120.0	135.0
10.475	Payable \$38.8 million each year to May 31, 2010 (prepaid in fiscal year 1993)	—	698.4
7.591	Payable \$50 million each year to June 1, 1997, and \$22.5 million due on June 1, 1998 (prepaid \$677.5 million in fiscal year 1993; original maturity was May 31, 2011)	222.5	950.0
8.474	Payable \$30 million each year to June 1, 1998 (prepaid \$420 million in fiscal year 1993; original maturity was May 2012)	150.0	600.0
8.908	Payable \$35.4 million each year to June 1, 1998 (prepaid \$495.6 million in fiscal year 1993; original maturity was May 31, 2012)	177.0	708.0
9.074	Payable \$80 million each year to June 1, 1998 (prepaid \$840 million in fiscal year 1993; original maturity was May 31, 2012)	300.0	1,200.0
9.081	Payable \$36 million each year to May 31, 1996; \$12 million due June 2, 1997	120.0	156.0
8.768*	Payable \$24 million on May 31, 1997, with payments of \$36 million each year thereafter through May 31, 2001	168.0	168.0
8.755*	Payable \$36 million May 31, 2002 through May 31, 2013 (prepaid in fiscal year 1993)	—	432.0
8.488	Payable on October 2, 1995	800.0	800.0
7.786	Payable on September 30, 1998	450.0	450.0
7.529*	Payable on September 30, 1993, 1998, and 2021 (prepaid \$900 million in fiscal year 1993)	—	1,350.0

* Weighted average interest rate.

Interest Rate (%)	Terms	1993	1992
September 30,			
Notes payable to the Federal Financing Bank (FFB):			
6.356*	Payable \$800 million on September 30, 1994, October 2, 1995, and \$400 million on September 30, 1997	\$ 2,000.0	\$ 2,000.0
4.676	Payable on October 31, 1994	1,000.0	—
6.307	Payable on October 31, 1997; callable November 30, 1995	1,500.0	—
7.367	Payable on August 15, 2002; callable November 30, 1997	1,500.0	—
7.615	Payable on November 30, 2007; callable November 30, 1997	1,000.0	—
Mortgage Notes Payable:			
4.75 to	Maturing from fiscal years 1994 through 2004,		
9.75	secured by land, buildings, and equipment with a carrying amount of \$68.1 million (aggregate annual installments approximate \$3.8 million)	16.8	20.7
		9,748.3	9,924.1
		1,062.0	750.8
Less current portion		<u>\$ 8,686.3</u>	<u>\$ 9,173.3</u>

* Weighted average interest rates.

8. Commitments

At September 30, 1993, the estimated cost to complete approved Postal Service capital projects in progress was approximately \$1.55 billion.

Total rental expense for the years ended September 30, 1993 and 1992 is summarized as follows (dollars in millions):

	1993	1992
Noncancellable real estate leases including related taxes	\$ 537.5	\$ 531.9
Facilities leased from General Services Administration subject to 120-day notice of cancellation	39.4	37.9
Equipment and other short-term rentals	86.5	112.5
	<u>\$ 663.4</u>	<u>\$ 682.3</u>

At September 30, 1993, the future minimum rentals for all noncancellable leases are as follows (dollars in millions):

Year	Total
1994	\$ 444.7
1995	396.0
1996	323.9
1997	251.5
1998	186.9
Thereafter	607.0
	<u>\$ 2,210.0</u>

Most of these leases contain renewal options for periods ranging from 3 to 20 years. Certain noncancellable real estate leases have options to purchase the facilities at prices specified in the leases.

9. Contingencies

Several equal employment opportunity, employee compensation, environmental, and postal rate class action lawsuits are pending against the Postal Service. In addition, there are certain pending suits and claims resulting from traffic accidents involving postal vehicles and injuries on postal properties, suits involving personal claims and property damages, and suits and claims arising out of postal contracts.

In July 1993, the Merit Systems Protection Board (MSPB) ruled that the restructuring initiated in fiscal year 1992 (See note 2) constituted a reduction-in-force (RIF) as defined by the Code of Federal Regulations. As a result, the MSPB found that preference eligible employees who were placed in lower graded positions had been denied their procedural and substantive rights. Currently, there are several hundred appeals before the MSPB.

Management and General Counsel believe that the restructuring did not constitute a RIF since affected employees received saved grade and saved pay. Thus, affected employees have not been demoted. The Office of Personnel Management (OPM) has intervened on behalf of the Postal Service before the MSPB. The appeal is currently pending. Management and General Counsel believe that it is probable that the outcome of OPM's appeal will be favorable to the Postal Service.

As a part of management's continuing evaluation of estimates required in the preparation of its financial statements, additional liabilities of approximately \$80 million were recorded in fiscal year 1993 to recognize increases in the estimated cost of litigation and claims asserted prior to 1993.

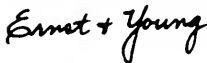
In the opinion of management and General Counsel, adequate provision has been made for amounts that may become due under the suits, claims, and proceedings discussed in the preceding paragraphs.

*Report of Independent Auditors***Board of Governors
United States Postal Service**

We have audited the accompanying balance sheets of the United States Postal Service as of September 30, 1993 and 1992, and the related statements of operations and changes in net capital deficiency and cash flows for the years then ended. These financial statements are the responsibility of the United States Postal Service's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the United States Postal Service at September 30, 1993 and 1992, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

The logo for Ernst & Young, featuring the company name in a stylized, cursive script.

Washington, DC
November 12, 1993

Financial and Operating Highlights

	Year Ended Sept. 30, 1993	Year Ended Sept. 30, 1992	Year Ended Sept. 30, 1991	Year Ended Sept. 30, 1990	Year Ended Sept. 30, 1989
Pieces of mail (millions)	171,220	166,443	165,851	166,301	161,603
Percent change	2.9	0.4	-0.3	2.9	0.4
<i>(dollars in millions)</i>					
Revenue from operations	\$47,418	\$46,151	\$43,323	\$39,201	\$37,979
Percent change	2.7	6.5	10.5	3.2	8.4
Public service appropriation	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Revenue forgone appropriation*	\$ 164	\$ 545	\$ 562	\$ 453	\$ 436
Percent change	-69.9	-3.0	24.1	3.9	-15.6
Total operating expenses****	\$46,321	\$45,653	\$43,291	\$40,490	\$38,371
Percent change****	1.5	5.5	6.9	5.5	6.2
Interest expense on unfunded retirement liabilities****	(\$ 1,346)	(\$ 1,269)	—	—	—
Other interest (expense) income, net	(\$ 286)	(\$ 310)	(\$ 253)	(\$ 38)	\$ 17
(Loss) income, before retroactive assessments and extraordinary item	(\$ 371)	(\$ 536)	\$ 341	(\$ 874)	\$ 61
Retroactive assessment OBRA 1990	—	—	(\$ 1,810)	—	—
Retroactive interest assessment OBRA 1993	(\$ 857)	—	—	—	—
Extraordinary item — debt refinancing premium	(\$ 537)	—	—	—	—
Net (loss) income	(\$ 1,765)	(\$ 536)	(\$ 1,469)	(\$ 874)	\$ 61
Fixed assets (net of depreciation)**	\$15,535	\$14,696	\$13,109	\$11,523	\$10,336
Percent change	5.7	12.1	13.8	11.5	8.4
Net capital deficiency	(\$ 5,048)	(\$ 3,283)	(\$ 2,747)	(\$ 1,278)	(\$ 402)
<i>(in units indicated)</i>					
U.S. resident population July 1 estimate (in millions)***	257.9	253.6	250.9	248.2	245.7
Percent change	1.7	1.1	1.1	1.0	1.0
Pieces of mail per capita	664	656	861	670	658
Percent change	1.2	-0.8	-1.3	1.8	-0.5
Operating revenue per capita	\$ 183.86	\$ 181.98	\$ 172.67	\$ 157.94	\$ 154.57
Percent change	1.0	5.4	9.3	2.2	7.4
Operating expense per piece of mail****	27.05¢	27.43¢	26.10¢	24.35¢	23.74¢
Percent change****	-1.4	5.1	7.2	2.6	5.8
Operating revenue per piece of mail	27.69¢	27.73¢	26.12¢	23.57¢	23.50¢
Percent change	-0.1	8.2	10.8	0.3	7.9
Net (loss) income per piece of mail	(1.03¢)	(0.32¢)	(0.89¢)	(0.53¢)	0.04¢
Career employees	691,723	725,290	748,981	760,668	777,715
Percent change	-4.8	-3.2	-1.5	-2.2	-0.2

* Revenue forgone is that revenue given up or "forgone" by the Postal Service as a result of providing mail service at a reduced rate. This revenue loss is reimbursed to the Postal Service by an annual appropriation of Congress, as specified in the 1970 Postal Reorganization Act, as amended by the Revenue Forgone Reform Act of 1993.

** Fiscal Year 1989 - 1991 data recast to include construction in progress.

*** 1989 - 1990 data recast to reflect 1990 census information.

**** Beginning in 1992, interest on unfunded liabilities is presented separately. Such amounts for the prior years are included in the total operating expenses. Prior years are not comparable.

Financial History Summary

	1993	1992	1991	1990	1989
Statement of Operations (dollars in thousands)					
Operating revenue	\$47,418,000	\$46,151,120	\$43,322,604	\$39,201,405	\$37,978,675
Public service appropriation	0	0	0	0	0
Revenue forgone appropriation	164,000	544,680	561,868	453,425	436,417
Total operating revenue	47,582,000	46,695,800	43,884,472	39,654,830	38,415,092
Compensation and benefits	38,447,700	37,122,030	36,076,230	34,214,093	32,368,364
Restructuring costs	129,000	1,010,000	—	—	—
Other expenses	7,744,900	7,520,848	7,214,553	6,275,791	6,002,394
Total operating expenses	46,321,600	45,652,878	43,290,783	40,489,884	38,370,758
Income (loss) from operations	1,260,400	1,042,922	593,689	(835,054)	44,334
Interest expense on unfunded retirement liabilities**	(1,345,900)	(1,268,991)	—	—	—
Imputed interest on retroactive assessment for employee benefits	(69,900)	(81,432)	(90,507)	—	—
Interest (expense) income on borrowings, net	(216,000)	(228,961)	(161,654)	(38,524)	16,385
(Loss) income before retroactive assessments and extraordinary item	(371,400)	(536,462)	341,528	(873,578)	60,719
Retroactive assessments for employee benefits	—	—	—	—	—
OBRA 1990	—	—	(1,810,142)	—	—
OBRA 1993	(857,000)	—	—	—	—
(Loss) income before extraordinary item	(1,228,400)	(536,462)	(1,468,614)	(873,578)	60,719
Extraordinary item — debt refinancing premium	(536,500)	—	—	—	—
Net (loss) income	(\$ 1,764,900)	(\$ 536,462)	(\$ 1,468,614)	(\$ 873,578)	\$ 60,719
Balance Sheets					
Assets					
Current assets	\$ 4,478,100	\$ 6,027,379	\$ 4,863,268	\$ 4,528,341	\$ 5,448,439
Property, plant, and equipment, deferred retirement costs, and other assets	42,803,000	41,637,331	38,402,182	32,976,222	31,323,509
Total assets	\$47,281,100	\$47,664,710	\$43,265,450	\$37,504,563	\$36,771,948
Liabilities					
Current liabilities*	\$10,139,700	\$ 9,484,223	\$ 7,400,104	\$ 6,289,805	\$ 5,897,866
Other liabilities*	33,502,800	32,290,309	30,473,907	25,824,894	25,102,649
Long-term debt	8,886,300	9,173,294	8,138,375	6,667,530	6,173,062
Net capital deficiency	(5,047,700)	(3,283,116)	(2,746,936)	(1,277,666)	(401,629)
Total liabilities and equity	\$47,281,100	\$47,664,710	\$43,265,450	\$37,504,563	\$36,771,948
Analyses of Changes in					
Net Capital Deficiency					
Beginning balance	(\$ 3,283,100)	(\$ 2,746,936)	(\$ 1,277,666)	(\$ 401,629)	(\$ 460,434)
Net (loss) income	(1,764,900)	(536,462)	(1,468,614)	(873,578)	60,719
Capital contributions	300	282	(656)	(2,459)	(1,914)
Ending balance	(\$ 5,047,700)	(\$ 3,283,116)	(\$ 2,746,936)	(\$ 1,277,666)	(\$ 401,629)

* Certain reclassifications have been made to 1992 amounts to conform to 1993 presentation. Prior years have not been restated due to immateriality.

** Beginning in 1992, interest on unfunded retirement liabilities is presented separately. Such amounts for the prior years are included in compensation and benefits. Prior years are not comparable.

Impact of Revenue Forgone Appropriation* on Revenues, Fiscal Year 1993

Classes of Service	Total Income of Service (dollars in millions)	Income from Revenues	Income from Appropriation	Appropriation as a Percentage of Income
First-Class Mail	\$28,827.9	\$28,827.9	none	none
Priority Mail	\$ 2,299.7	\$ 2,299.7	none	none
Express Mail	\$ 627.1	\$ 627.1	none	none
Mailgram	\$ 7.1	\$ 7.1	none	none
Second-Class Mail				
Within county	\$ 88.3	\$ 85.0	\$ 3.3	3.74
Outside county				
Nonprofit and classroom publications	\$ 290.5	\$ 281.4	\$ 9.1	3.13
Regular-rate publications	\$ 1,359.2	\$ 1,359.1	\$ 0.1	—
Fees	\$ 14.9	\$ 14.9	none	none
Total Second-Class Mail	\$ 1,752.9	\$ 1,740.4	\$ 12.5	0.71
Third-Class Mail				
Single-piece rate	\$ 197.8	\$ 197.8	none	none
Regular bulk rate	\$ 8,347.8	\$ 8,347.8	none	none
Nonprofit bulk rate	\$ 1,260.9	\$ 1,204.8	\$ 56.1	4.45
Fees	\$ 66.3	\$ 66.3	none	none
Total Third-Class Mail	\$ 9,872.8	\$ 9,816.7	\$ 56.1	0.57
Fourth-Class Mail				
Parcels (zone rate)	\$ 575.8	\$ 575.8	none	none
Bound printed matter	\$ 306.2	\$ 306.2	none	none
Special rate matter	\$ 257.4	\$ 257.4	none	none
Library materials	\$ 43.2	\$ 42.8	\$ 0.4	0.93
Fees	\$ 1.3	\$ 1.3	none	none
Total Fourth-Class Mail	\$ 1,183.8	\$ 1,183.3	\$ 0.4	0.03
Free mail for the blind and handicapped	\$ 51.7	\$ 0.0	\$ 51.7	100.00
Overseas absentee ballots	\$ 1.2	\$ 0.0	\$ 1.2	100.00
International Mail	\$ 1,406.5	\$ 1,406.5	none	none
Totals****	\$46,030.6	\$45,908.7	\$121.9**	0.26
Net impact of Revenue Forgone Reform Act of 1993			42.0***	
Revenue forgone recognized in 1993			\$163.9	

* Revenue forgone is that revenue given up or "forgone" by the Postal Service as a result of providing mail service at a reduced rate. This revenue loss is reimbursed to the Postal Service by an annual appropriation of Congress, as specified in the 1970 Postal Reorganization Act, as amended by the Revenue Forgone Reform Act of 1993.

** The total appropriation for fiscal year 1993 was \$121.9 million. Free mail for the blind and handicapped was fully funded and the remainder of the funds was prorated among those mailing categories previously funded.

*** In 1993, Congress enacted legislation which altered certain aspects of the revenue forgone program and will reimburse the Postal Service for past amounts due — as well as prospective amounts to be earned through 1998 — over the next 42 years. In 1993, the Postal Service recorded a receivable of \$42 million to reflect the net impact of this legislation.

**** Totals may not add due to rounding.

Source of Income

	(dollars in millions)
Mail revenue	\$ 45,909
Special services	1,509
Government appropriations for free and reduced rate mail	164
Total operating revenue	47,582
Total operating expenses	46,322
Income from operations	1,260
Interest income	404
Interest expense — borrowing	(620)
Interest expense — unfunded retirement liability	(1,346)
OBRA 1993 assessment	(857)
Debt refinancing premium — extraordinary item	(536)
Imputed Interest	(70)
Net loss	(\$ 1,765)

*Analysis of Expenses,
Fiscal Year 1993*

	(in percent)
Personnel compensation	59.73
Personnel benefits	17.55
Interest on unfunded liabilities	2.71
Vehicle/building maintenance	0.80
Transportation	6.28
Supplies and services	2.70
Rent, communications	1.36
Utilities	0.74
Interest	1.39
Depreciation and write-offs	1.94
OBRA 1993	1.72
Restructuring costs	0.26
Debt refinancing premium — extraordinary item	1.08
Other	1.74

*Analysis of Mail Volume,
Fiscal Year 1993*

	<i>(pieces in billions)</i>		
	1993	1992	% chg*
First-Class	92.17	90.78	1.5
Second-Class	10.31	10.32	(0.1)
Third-Class	65.77	62.55	5.2
Fourth-Class	0.74	0.76	(2.7)
U.S. Postal Service	0.54	0.55	(1.4)
International	0.91	0.79	14.9
All Other	0.78	0.69	13.0
Total Mail	<u>171.22</u>	<u>166.44</u>	2.9

* Percent change reflects unrounded volume data.

*Percent of Total Volume by Class,
Fiscal Year 1993*

	<i>(in percent)</i>
First-Class	53.83
Second-Class	6.02
Third-Class	38.41
Fourth-Class	0.43
U.S. Postal Service	0.32
International	0.53
All Other	0.46

Operating Statistics

	1993	1992	1991	1990	1989
	<i>(in thousands of units indicated)</i>				
First-Class					
Pieces, number	92,169,448	90,781,037	90,284,596	89,269,649	85,855,458
Weight, pounds	3,672,186	3,496,383	3,398,026	3,339,790	3,216,108
Revenue	\$28,827,885	\$28,296,035	\$26,648,534	\$24,023,323	\$23,234,417
Priority Mail					
Pieces, number	664,373	584,356	530,407	517,850	470,831
Weight, pounds	1,174,613	1,108,590	1,017,227	1,007,067	939,318
Revenue	\$ 2,299,663	\$ 2,070,830	\$ 1,764,601	\$ 1,554,656	\$ 1,415,820
Express Mail					
Pieces, number	52,380	53,176	57,968	58,582	53,308
Weight, pounds	60,942	63,208	107,158	112,451	98,810
Revenue	\$ 627,073	\$ 639,019	\$ 667,988	\$ 630,707	\$ 571,992
Mailgram					
Pieces, number	7,179	7,453	11,942	14,001	16,871
Revenue	\$ 7,057	\$ 7,675	\$ 7,452	\$ 8,477	\$ 10,193
Second-Class					
Pieces, number	10,306,091	10,318,584	10,399,202	10,880,469	10,523,374
Weight, pounds	4,040,511	3,830,429	4,014,545	4,233,113	4,169,919
Revenue	\$ 1,740,431	\$ 1,751,180	\$ 1,667,801	\$ 1,509,346	\$ 1,519,267
Third-Class					
Pieces, number	65,773,180	62,547,188	62,429,896	63,725,110	62,779,116
Weight, pounds	8,006,537	7,122,868	7,386,612	7,648,088	7,478,767
Revenue	\$ 9,816,731	\$ 9,490,179	\$ 8,956,031	\$ 8,082,377	\$ 7,923,511

Operating Statistics

	1993	1992	1991	1990	1989
<i>(in thousands of units indicated)</i>					
Fourth-Class					
Pieces, number	743,947	764,504	695,393	662,977	625,932
Weight, pounds	2,284,346	2,396,768	2,074,460	2,109,342	2,196,129
Revenue	\$ 1,183,372	\$ 1,186,360	\$ 1,000,945	\$ 919,540	\$ 908,432
International Surface					
Pieces, number	124,417	132,934	146,464	165,901	165,799
Weight, pounds	125,076	120,229	133,952	146,216	139,443
Revenue	\$ 210,895	\$ 206,602	\$ 221,439	\$ 222,123	\$ 216,848
International Air					
Pieces, number	782,604	656,319	646,338	632,364	558,056
Weight, pounds	119,857	107,733	102,077	102,397	88,465
Revenue	\$ 1,195,620	\$ 1,069,229	\$ 984,573	\$ 941,078	\$ 864,308
U.S. Postal Service					
Pieces, number	543,674	551,402	612,545	538,427	527,791
Weight, pounds	80,935	91,648	79,624	97,388	66,323
Free for the Blind					
Pieces, number	52,799	46,439	35,859	35,440	26,728
Weight, pounds	33,261	30,701	26,299	30,235	18,463
Totals*					
Pieces, number	171,219,994	166,443,391	165,850,610	166,300,770	161,603,264
Weight, pounds	19,596,264	18,368,556	18,339,980	18,826,087	18,411,745
Revenue	\$45,908,726	\$44,717,110	\$41,919,364	\$37,891,627	\$36,664,788

* Penalty and franked mail are included in their classes of mail.
Totals may not add due to rounding.

Operating Statistics

	1993	1992	1991	1990	1989
<i>(in thousands of units indicated)</i>					
Registry					
Number of articles (paid and free)	23,852	25,285	41,190	45,312	48,939
Revenue	\$ 130,358	\$ 130,977	\$ 147,250	\$ 173,725	\$ 181,270
Certified					
Number of pieces (paid and free)	237,079	219,388	209,033	191,032	176,540
Revenue	\$ 425,503	\$ 392,807	\$ 362,370	\$ 309,652	\$ 284,394
Insurance					
Number of articles (paid and free)	30,773	34,113	35,645	33,102	34,878
Revenue	\$ 52,020	\$ 56,151	\$ 54,234	\$ 47,250	\$ 48,869
Collection-On-Delivery					
Number of articles	6,802	8,256	8,690	9,926	10,049
Revenue	\$ 20,268	\$ 24,845	\$ 25,577	\$ 26,093	\$ 26,993
Special Delivery					
Number of articles (paid and free)	331	820	2,101	1,161	2,212
Revenue	\$ 2,409	\$ 5,530	\$ 14,441	\$ 6,345	\$ 12,042
Money Orders					
Number issued	186,404	177,584	162,453	155,141	150,407
Revenue	\$ 165,893	\$ 154,384	\$ 148,146	\$ 154,588	\$ 147,771
Other					
Box rent revenue	\$ 480,969	\$ 457,200	\$ 412,625	\$ 393,807	\$ 362,318
Stamped envelope revenue	\$ 18,154	\$ 18,147	\$ 12,955	\$ 25,181	\$ 15,883
Other revenue, net	\$ 213,850	\$ 193,969	\$ 225,642	\$ 173,137	\$ 234,347
Totals					
Special services revenue	\$ 1,509,424	\$ 1,434,010	\$ 1,403,240	\$ 1,309,778	\$ 1,313,887
Mail revenue	\$45,908,726	\$44,717,110	\$41,919,364	\$ 37,891,627	\$ 36,664,788
Operating revenue before appropriations	<u>\$47,418,150</u>	<u>\$46,151,120</u>	<u>\$43,322,604</u>	<u>\$39,201,405</u>	<u>\$ 37,978,675</u>

Operating Statistics

	1993	1992	1991	1990	1989
Employees					
Headquarters — L'Enfant Plaza	1,762	2,434	2,408	2,291	2,278
Headquarters — Field Support Units	4,157	5,663	5,715	5,691	5,882
Inspection Service (field)	4,181	4,324	4,316	4,259	4,276
Discontinued Operations	189	—	—	—	—
Field Career Employees					
Area Offices	1,062	—	—	—	—
Regional Offices	—	586	559	542	431
Postmasters/Installation Heads	25,304	26,496	27,100	26,995	27,242
Supervisors/Managers	31,936	43,185	43,801	43,458	44,793
Prof. Admin. Tech. Personnel	10,306	10,440	9,888	9,793	10,528
Clerks	257,147	268,049	280,918	290,380	300,906
Nurses	224	286	296	286	318
Mail Handlers	51,078	49,520	50,770	51,123	52,295
City Delivery Carriers	211,893	223,088	232,182	236,081	240,159
Motor Vehicle Operators	7,199	7,086	7,265	7,308	7,357
Rural Delivery Carriers & Substitutes					
on Unassigned Routes	43,694	43,283	42,876	42,252	40,802
Special Delivery Messengers	1,571	1,742	1,870	2,012	2,142
Bldg. & Equip. Maintenance Personnel	35,444	34,367	34,166	33,323	33,348
Vehicle Maintenance Personnel	4,576	4,741	4,831	4,874	4,956
Total Career Employees	<u>691,723</u>	<u>725,290</u>	<u>748,961</u>	<u>760,668</u>	<u>777,715</u>
Non-Career Employees					
Casuals	25,889	27,204	25,666	26,829	21,209
Non-Bargaining Temporary	1,452	603	548	414	371
Rural Subs/RCA/RCR/AUX	44,456	43,830	44,020	43,373	42,355
PM Relief/Leave Replacements	12,087	12,415	12,198	11,979	11,902
Transitional Employees	42,272	9,732	—	—	—
Offices, Stations, and Branches					
Number of post offices	28,728	28,837	28,912	28,959	29,083
Number of stations and branches:					
Classified stations and branches	4,692	4,685	5,029	5,008	4,958
Contract stations and branches	4,367	4,443	4,427	4,397	4,297
Community post offices	1,605	1,630	1,617	1,703	1,893
Subtotal	<u>10,664</u>	<u>10,758</u>	<u>11,073</u>	<u>11,108</u>	<u>10,948</u>
Total offices, stations, and branches	<u>39,392</u>	<u>39,595</u>	<u>39,985</u>	<u>40,067</u>	<u>40,031</u>



NATIONAL ASSOCIATION OF POSTMASTERS
OF THE UNITED STATES
8 HERBERT STREET
ALEXANDRIA VA 22305-2600

March 18, 1994

Ms. Kimberly Weaver
Federal Services, Post Office, and
Civil Service
601 Hart Senate Office Building
Washington, DC 20510

Dear Ms. Weaver:

On March 16, the Senate pass S.4, the National Competitiveness Act. Senator Paul Coverdell added an amendment to the Act which would prevent the Postal Inspection Service from enforcing the Private Express Statutes, pending a GAO study on the economic impact on the United States Postal Service.

We are opposed to this amendment. As a result, we have prepared a statement of opposition which I have enclosed. We ask that you include the enclosed statement in the congressional records in lieu of testimony at your scheduled March 24 Oversight hearing.

If you have questions or need further information, please call me at 703-683-9027. Thank you for your assistance in this matter.

Sincerely,

Teena Cregan
Director of Gov. Relations

Enclosure
tc/clm

703-683-9027
FAX: 703-683-6820

POSTAL MANAGEMENT ORGANIZATIONS



Serving the Supervisors and Postmasters who serve America's Postal Customers

March 18, 1994

Dear Senator:

On behalf of the three undersigned postal management groups, we would like to ask for your assistance in striking an unwise amendment from S. 4, the National Competitiveness Act. Last week, Sen. Paul Coverdell added an amendment (Senate No. 1483) to the Act which would prevent the Postal Inspection Service from enforcing the Private Express Statutes, pending receipt of a GAO report on the economic impact on the USPS of violations of the Statutes.

Would you support an amendment that would stop the EPA or OSHA from enforcing their regulations? Yet that is exactly what the Coverdell amendment does. It says that private businesses do not have to obey a law passed by Congress. Postmasters and postal supervisors, many of whom have spent their lives in public service, cannot accept such a laissez faire attitude by elected officials. If Congress wishes to repeal a law, it has the right to do so but to suggest that violations of the law may be ignored with impunity invites disrespect for Congress and for administrative agencies.

We also dispute the premise, advanced by the sponsors of the measure, that the amendment will somehow promote the "competitiveness" of American business. Instead, we believe that the Private Express Statutes foster the success of American business by protecting the financial stability of the Postal Service. We need that stability to maintain a uniform level of high-quality postal services throughout the United States. These services include a uniform rate for delivery of letters throughout the country and dependable six-day delivery to every rural area and urban neighborhood.

Letter re: Amendment to S. 4
March 18, 1994
Page 2

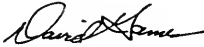
Our members are the postmasters and front-line supervisors who keep the Postal Service running on a daily basis. We are committed to providing top-quality mail service to the American people at a reasonable price. The Postal Service has managed to keep the price of stamps at 29 cents for the past four years, and it has been able to do so because we have worked hard to manage our resources and maintain our service standards. A decision to strip away the limited revenue protection afforded by the Statutes could impair the Postal Service's financial position and force consideration of drastic changes in the way we have traditionally served the public.

Therefore, we ask for your help in removing this provision from the National Competitiveness Act. Thank you for your assistance.

Sincerely,



Armando Olvera



David Games



Vincent Palladino



APRIL 14, 1994

MEMORANDUM FOR MARY ANN SIMPSON

SUBJECT: Supplemental information for record in
Senate hearing

This is in reply to your April 11 request for a statement of the status of the Inspection Service's metered postage fraud investigations. At page 75 of the transcript, Mary Elcano agreed to provide this information in response to a request from Senator Pryor.

* * * * *

At the present time, the Postal Inspection Service is conducting 38 investigations of suspected metered postage fraud. The investigations involve tampering with meters, using meters which have been improperly set or which failed to "lock out" when prepaid postage was fully used, and counterfeiting of postage meter indicia. The status of the cases in which the most progress has been made is as follows:

A Boston, MA. mailer tampered with meters in a new, almost indiscernible manner to cheat the Postal Service out of an estimated \$5 million. Indictments and asset seizures less than our losses are anticipated.

A New York, NY mailer used a meter key to reset his meter without payment of postage. He has pled guilty to criminal charges and the Postal Inspection Service has collected from him \$2.3 million in restitution.

A Norman, OK mailer pled guilty to counterfeiting postage meter strips. Restitution of \$1.3 million is anticipated.

An Orlando, FL mailer pled guilty to tampering with meters. Restitution in the amount of \$640,000 is anticipated.

A New York, NY mailer pled guilty to manipulating a stolen meter. Restitution of approximately \$17,000 is anticipated.

A Miami, FL mailer counterfeited postage meter strips to defraud the Postal Service out of at least \$575,000. Indictment is anticipated. The likelihood of restitution is not known at this time.

A Los Angeles, CA mailer used a meter that failed to "lock out" when prepaid postage had been used up. Losses are estimated at \$128,000. Indictment is anticipated. The likelihood of restitution is not known

at this time.

* * * * *

Please let me know if you need any additional information.

1/16/76
George C. Davis
Chief Counsel
Enforcement Division

cc. Mary Elcano
Mike Boswell
Jeff DuPilka

QUESTIONS SUBMITTED BY SENATOR PRYOR

PRIORITY MAIL

As you may recall, a significant portion of last year's hearing centered on Priority Mail. Specifically, I was very concerned that USPS advertising left the impression that this service was guaranteed. While the new ads are less misleading, there are still fundamental questions regarding the true value of this service to the public.

According to National ODIS(Origin-Destination Post Office Information System) statistics through accounting period six (Sep. 5 to Mar. 4) 75 percent of "identified" Priority Mail was delivered on time. 78 Percent of "non-identified" Priority Mail was delivered on time. Performance for both categories is down from last year.

Question: Since the Postal Service's rationale for the "identified" and "non-identified" system was to target true "priority" mail for special handling, why the significant percentage difference in delivery success? Shouldn't these numbers be reversed? Why are both figures not higher?

Answer: We compared the service performance scores for both overnight and two-day committed Priority Mail (identified and non-identified). Two-day identified Priority Mail scored significantly higher than two-day non-identified Priority Mail, in all but one accounting period (AP), AP 7. The differences in the Overnight Priority Mail scores for identified versus non-identified were less significant however, the majority of the time identified Priority Mail scored higher. The referenced scores (75 for identified and 78 for non-identified) reflect a composite of all Priority Mail (overnight and two-day) delivered within two days regardless of the service commitment. We agree scores for both identified and non-identified Priority Mail should be higher. The steps we are taking to improve service are addressed in your last question on Priority Mail.

Question: As "non-identified" pieces of mail are in effect First Class mail, and since the First-Class mailstream sometimes has a higher success rate, is it fair to say that as a rule, a postal patron should never use Priority Mail when a 29-cent stamp will do?

Answer: In the case of non-identified Priority Mail, it does make sense to simply use First-Class mail for pieces weighing less than 12 oz., since the mailstream should be the same. However, in the case of identified Priority Mail, we find that customers select this type of service not only for the expedited handling, but also because it gives their mailpiece the visibility they desire. Our retail clerks are also trained to help customers choose the best service to meet their mailing needs.

Question: The ODIS statistics through accounting period six seem to bear out a February 1993 audit by the Postal Inspection Service which concluded, "... the Postal Service cannot deliver Priority Mail to all nationwide destinations within two days." The report added, "... there was a perception by some managers that Marketing has attempted to promote a two-day Priority Mail service, even though the processing and transportation system could not support the advertised service standard to all cities in the United States." These are clearly disturbing conclusions. Because the numbers have gotten worse since this report, I would appreciate your summarizing the actions taken by the Postal Service as a result of this audit.

Answer: During the past six months, we have reviewed our current operating plans as well as available transportation, to ensure our continued ability to meet a national service commitment of two days. What we found was that approximately 1.4% of the volume could not meet a two-day commitment based on current operations. Therefore, service to these mostly remote areas is now designated as three days. We are in the process of printing a Priority Mail service directory for our retail clerks and Business Centers listing these three day areas, so this information can be shared with our customers. We will continue the

process of reviewing operating plans and transportation and make adjustments as needed. In addition, all of the Area Managers have action plans in place to turn around service slippages which occurred this year.

ADVERTISING

In recent years, the Postal Service has raised its advertising profile considerably. One of the most infamous examples of this is the Postal Service's sponsorship of the 1992 Summer Olympic Games. Even without the Olympics, the Postal Service acts as a sponsor for sporting events across the country, and maintains a daily presence in publications such as *USA Today*. While constituents tend to see this activity as wasteful, I recognize that the Postal Service needs to publicize its competitive services. However, I do become concerned when particular advertising campaigns appear to be extravagant or inaccurate.

Question: Can you tell me what the percentage increase, assuming there has been an increase, in the Postal Service's advertising budget has been each year since 1990?

Answer: The percentage increase in our advertising budget since 1990 is as follows:

<u>Year</u>	<u>Amount</u>	<u>Percent increase</u>
1990	\$ 52,310,878	
1991	\$ 65,779,481	25.8
1992	\$114,683,746	74.4
1993	\$ 81,386,296	-29.1

Question: One of the more controversial advertising campaigns of last year was the Postal Service's high-profile sponsorship of Notre Dame football telecasts on the National Broadcasting Corporation. Can you tell me how much the Postal Service spent last year on this project? Has the Postal Service renewed this contract for next year? Can you provide me with a summary of the major advertising projects which are currently under consideration?

Answer: The Postal Service spent \$1,020,000 on this project and we have renewed the contract for next year. Additionally, we have several advertising campaigns planned during the course of the year. In addition to our spring package services campaign and several holiday campaigns, we are planning advertising campaigns which would educate the business mailer about the broad array of services available through the Postal Service. The theme of the campaign will be that the Postal Service offers solutions to business needs. There will also be a campaign directed at large business which will be designed to raise awareness about the benefit of using mail to advertise. This campaign will feature testimonials from businessmen and/or women who have successfully used mail to increase sales and grow business.

Question: Postal Service advertisements touting its expedited delivery services typically feature statements such as, "Two Day Priority Mail Service still costs less than half what you'd pay with anyone else," and "We've held the line on price, the competition hasn't." Aren't these types of statements disingenuous considering that private competitors, such as Federal Express and United Parcel Service, are subject to the "double the postage" rule when offering the same services? For example, a private competitor cannot price its priority service at \$2.90, but must instead charge \$5.80. Don't you think its inappropriate to boast of "... the lowest published rates for expedited delivery service..." when this is in effect provided for by law?

Answer: The "double the postage" rule does not apply to parcels and merchandise; consequently, our competitors can and do charge less than \$5.80 on an unpublished basis. Regarding the Priority Mail

advertisements specifying "two-days," we have not run those advertisements for over one year and we have destroyed all stock with the "two-day" commitment.

REORGANIZATION AND DOWNSIZING

The reorganization that the Postal Service has undergone during your tenure is unprecedented. You have been commended by the Vice President, myself, others for your efforts at streamlining the Postal workforce. There is little argument that containing burgeoning labor costs is a worthy goal. However, some disturbing statistics have recently come to light. An article in the Federal Times reported that the Postal Service workforce is back above 700,000. This amounts to an increase of 27,000 employees in the last year. In addition, overtime continues to run well over USPS estimates. These figures do not even include the rise in transitional employees from 16,588 to 41,699.

Question: What is your assessment of this rise in the labor force, coupled with high overtime figures? How do you plan to address this fundamental and recurring problem?

Answer: Our total complement is at roughly the same level as in the first quarter of FY 1992. With this level of employment, we are handling over 6 percent more volume than in 1992. We are devoting increased resources to service initiatives such as expanded window hours. About 3,000 employees have been added to our window services function since last year, enhancing service at some cost to productivity. Out of 47,800 employees taking the retirement incentive, approximately 35,000 were in non-overhead positions. During a longer than anticipated transition period necessary to hire and train window service and non-overhead replacement workers, overtime was used to maintain service levels. We believe that this process has now stabilized, and the most recent figures indicate the beginning of a downward trend in overtime usage.

Question: In light of these numbers, do you still conclude that any real savings was achieved in this downsizing?

Answer: The restructuring savings from the reduction of 26,000 overhead positions is "real" and provides continuing savings of \$1 billion each year.

Question: One of the most consistent criticisms of your reorganization was that many managers were not appropriately matched with their new positions. I know of several cases where skilled and dedicated Postal employees with backgrounds in finance or marketing were placed in mail processing facilities. This has been conducive neither to the career development of many individuals nor the efficiency of the Postal Service. Now that a year has passed, have you made any effort to identify and correct some of these "mismatches?"

Answer: Our selection procedures have been updated and are now in place to fill vacancies at headquarters, headquarters field units, and field installations. Qualified employees, with one year of continuous career service, are allowed to apply for any national or local postings. Employees who feel they were misplaced as a result of the restructuring are now being given this opportunity to apply for positions for which they are interested and qualified.

Question: Another criticism of the reorganization involved the infamous "buddy-system" at the Postal Service. Specifically, there were reported instances of poor line managers being put back on the line as a result of "who they knew." These kind of staffing irregularities are particularly troublesome because of their potential to exacerbate already tense working conditions. Are you aware of any of these types of problems? What system is in place to correct them?

Answer: We have evaluation tools in place which measure the effectiveness of our managers, in particular our executives. This effort will provide a breakthrough in changing the management culture of the Postal Service and should effectively deal with any inference of a "buddy system."

An Employee Opinion Survey (EOS) has been conducted within each organization. The EOS will be part of the annual performance evaluation of our executives. All employees have the opportunity to express their opinion of the management within their organizational unit. A "360 degree" feedback process also solicits information from subordinates, peers, and supervisor, as well as a self-evaluation for our executives. This data will be evaluated "blind" by selected members of the corporate leadership team. The team will identify developmental areas for each executive.

As a part of the succession planning process, each executive will be asked to select individuals who can be developed within the manager's own organization. These successors will then be evaluated based on their track record and the above referenced "360 degree" feedback process.

Question: Transitional Employees (TEs) are apparently becoming a permanent fixture in the Postal Service. These employees are often in an awkward and vulnerable position, as they neither have the benefits nor union representation of career employees. Could you provide an update concerning the negotiations between the Postal Service and the APWU on the question of establishing a conversion process by which TEs could join the career workforce?

Answer: The Postal Service and the APWU have negotiated an agreement which gives a greater opportunity for TEs to become career employees than they normally would have. The agreement allows TEs interested in becoming career employees to take the entrance examinations of their choice, sometimes outside of the normal public offering, for craft positions within the APWU they wish to obtain.

The results of these exams are then merged with existing hiring registers to give those TEs on the rolls an enhanced chance at being hired. Although this process does not constitute a pure conversion to career, it is the best process within the context of the Postal Service's hiring restrictions. This process allows the TEs the opportunity to take an exam that would not normally be offered and gives them the chance to upgrade their scores, thereby increasing their chances at being hired for career positions when the Postal Service needs to hire.

In addition, an agreement is being negotiated with the APWU to give the TEs that will be working in the Remote Encoding Centers for the Remote Bar Coding System an opportunity to become career as well.

The Postal Service recognizes the benefits of hiring TEs into the career workforce. It saves time and money in training and allows for a more stable work environment. Although TEs are of a temporary nature, their contribution and worth are well acknowledged by postal management.

Question: Last June, a memo from a Mr. Porras to Messrs. Green and Jacobson — all, I believe Postal Service vice presidents — stated the following: restructuring had eliminated the automation management support program; there were serious setbacks in deployment of barcode sorters; productivity management was obsolete; and that an expense overrun estimate of \$750 million was too low. This all sounds pretty ominous. What have you done to correct these problems?

Answer: The Postal Service has embarked on a concentrated effort to regain focus on the corporate automation program. The office of Automation Integration and Support was established to update the postal automation plan and, in coordination with operation functions, develop and implement a process to manage the plan. The essence of the approach is to include top-down planning activities and bottom-up validation.

There has been no setback or delay in the deployment of barcode sorters. However, there was a delay in the implementation of the remote bar coding system (RBCS). This delay was necessary pending

resolution of labor staffing issues. Since these issues have been resolved, we have moved swiftly to implement RBCS.

Productivity management remains a central focus of our financial performance strategy. Traditional productivity measures are still in use, along with performance indicators that are more specific to the new organization structure.

Question: The Postal Rate Commission study of U.S. Postal Service Productivity and Its Measurement, May 9, 1990, Volume 1, contains a chart on page vii entitled, Unit Operating Expenses (UOE). Would you please update the chart through FY 1993 and supply the underlying data necessary for the update. Additionally, please provide the annual Total Factor Productivity (TFP) Tables (or Report) for FYs 1992 and 1993.

Answer: The updated report containing the annual total factor productivity chart is attached. In addition, we have updated the referenced Postal Rate Commission chart on unit operating expense (UOE) along with the accompanying tables which provide the underlying data. It should be noted that the UOE chart was developed by the Postal Rate Commission and is not used by the Postal Service.



Economic Analysis and Consulting

**U.S. Postal Service
Total Factor Productivity
Annual Data Tables
1963-1993**

April 1994

Laurits R. Christensen Associates, Inc.

4610 University Avenue
Suite 700
Madison, Wisconsin 53705-2164

608 231-2266

USPS Annual Tables

1993 ARPNG

January 4, 1994

Table III-3

Current Dollar Labor Compensation
1963-1993
(millions of dollars)

Year	Post- masters	Super- visors	Clerks	Mail- Handlers	City Carriers	Vehicle Drivers	Special Delivery Carriers
1963	215.6	257.0	1643.8		1052.7		33.6
1964	223.7	273.3	1725.8		1114.3		35.1
1965	237.7	292.3	1874.8		1222.7		38.7
1966	246.6	315.8	2079.9		1320.7		42.9
1967	273.3	350.7	2282.4		1427.5		45.6
1968	288.9	397.9	2458.0		1542.0		50.0
1969	305.5	443.5	2664.0		1720.6		54.9
1970	334.3	513.8	2921.8		1878.1		55.2
1971	388.2	587.6	3299.3		2155.7		60.0
1972	428.2	641.9	3520.0		2380.3		61.6
1973	455.0	631.9	3601.4		2466.7		58.8
1974	519.8	745.9	4232.1		2809.2		65.5
1975	569.4	869.7	4653.3		3010.4		69.0
1976	584.8	1003.2	5055.5		3305.2		70.5
1977	606.4	1030.4	4876.7	743.1	3520.8	126.7	68.5
1978	608.9	1071.3	5139.8	740.0	3702.7	127.7	67.2
1979	660.8	1169.8	5699.6	808.6	4111.6	138.0	66.8
1980	740.2	1308.5	6114.4	880.0	4433.6	150.2	70.5
1981	801.9	1443.3	6630.9	972.1	4915.6	158.9	76.7
1982	899.1	1600.5	6915.2	1027.8	5231.4	167.2	76.5
1983	921.8	1670.4	7301.7	1103.0	5557.9	174.0	80.1
1984	963.6	1808.5	8054.7	1282.3	6169.4	190.5	84.3
1985	1043.1	1804.0	8830.3	1481.4	6778.8	212.3	91.1
1986	1088.5	1912.9	9157.2	1517.9	7025.8	222.5	93.1
1987	1131.9	2058.8	9789.5	1620.0	7474.2	241.6	97.9
1988	1244.0	2290.2	10855.6	1839.1	8437.2	267.9	103.3
1989	1301.8	2443.5	11403.5	2001.3	8971.4	288.3	109.8
1990	1363.8	2493.5	11946.4	2161.0	9612.6	307.4	112.0
1991	1453.9	2714.6	12694.4	2361.5	10342.1	333.8	109.6
1992	1533.5	2904.5	12881.0	2439.5	10747.7	349.4	113.9
1993	1526.8	2510.5	13491.3	2611.7	11342.5	373.6	112.1
Growth Rate (%)							
1992	5.3	6.8	1.5	3.3	3.8	4.6	3.8
1993	-.4	-14.6	4.6	6.8	5.4	6.7	-1.6
Share of Total (%)							
1992	4.1	7.9	34.8	6.6	29.1	.9	.3
1993	4.0	6.6	35.3	6.8	29.7	1.0	.3

Table III-3 (continued)

Current Dollar Labor Compensation
1963-1993
(millions of dollars)

Year	Rural Carriers	Maintenance Personnel	Vehicle Service Personnel	Other Personnel	Professional, Administrative, Technical Personnel	Total Labor
1963	232.1	104.1	28.5	79.7		3647.0
1964	246.7	109.7	29.8	83.5		3841.9
1965	262.1	118.3	32.7	96.8		4175.9
1966	272.1	126.1	35.0	92.4		4531.5
1967	286.7	137.4	38.2	100.5		4942.3
1968	302.8	154.2	43.6	112.7		5350.2
1969	326.3	190.4	53.6	122.3		5881.3
1970	357.0	214.7	60.5	160.3		6495.7
1971	416.9	256.6	70.8	204.6		7439.7
1972	467.1	292.4	78.2	171.6		8041.4
1973	493.2	301.5	75.9	198.6		8283.2
1974	569.9	349.2	84.7	236.8		9613.0
1975	635.9	415.0	89.2	296.6		10608.8
1976	723.2	483.6	94.3	350.5		11670.7
1977	790.4	528.0	100.9	355.0		12746.8
1978	833.9	558.9	104.1	367.5		13322.1
1979	911.2	623.8	113.7	397.9		14701.8
1980	965.7	683.3	122.5	453.1		15922.0
1981	1052.4	770.2	134.8	518.2		17475.0
1982	1102.1	848.2	138.3	512.9		18519.3
1983	1150.3	916.9	142.9	533.4		19552.4
1984	1214.9	991.7	151.3	562.2		21473.5
1985	1358.0	1072.2	163.8	605.1	247.2	23687.5
1986	1453.7	1113.5	171.1	595.8	269.8	24621.8
1987	1551.2	1157.7	181.6	601.6	394.2	26300.2
1988	1807.8	1312.5	201.6	672.9	458.1	29490.5
1989	1928.6	1414.3	214.9	715.1	477.1	31269.5
1990	2099.9	1500.8	225.3	760.6	480.3	33063.6
1991	2342.0	1659.9	239.4	841.6	510.6	35603.4
1992	2506.0	1793.4	249.3	910.5	559.2	36987.9
1993	2691.3	1878.1	247.9	905.6	556.6	38248.0
Growth Rate						
1992	6.8	7.7	4.0	7.9	9.1	3.8
1993	7.1	4.6	-1.5	-1.5	-1.5	3.3
Share of Total						
1992	6.8	4.8	.7	2.5	1.5	
1993	7.0	4.9	.6	2.4	1.5	

Table III-4

Current Dollar Expenditures on Materials
1969-1993
(millions of dollars)

Year	Relocation Costs	Transport of Household Effects	Uniforms and Work Clothes	Travel	Supplies	Contractual Building Services	Advertising and Market Research
1969	.5	.2	27.0	16.7	39.1	69.4	2.4
1970	1.0	.4	28.0	19.9	59.1	73.9	5.0
1971	1.0	.5	29.7	23.7	82.8	79.1	5.8
1972	4.4	1.2	29.9	25.7	63.7	67.8	12.4
1973	2.1	.8	30.1	24.7	53.0	37.7	9.1
1974	3.4	1.3	32.4	30.0	82.3	37.8	28.3
1975	3.1	1.3	33.1	34.3	152.3	40.6	12.7
1976	3.6	1.3	30.4	30.9	131.4	42.6	25.9
1977	3.9	1.2	30.6	34.3	94.9	47.7	20.4
1978	4.0	1.3	32.1	42.7	98.2	52.8	20.8
1979	5.6	1.9	36.3	52.3	120.5	56.7	22.8
1980	7.1	2.5	36.5	60.8	151.5	60.7	30.7
1981	8.9	3.4	36.0	80.1	223.5	54.8	32.0
1982	6.8	2.7	40.8	97.2	306.3	61.2	37.8
1983	8.3	2.8	41.3	111.2	386.7	67.7	57.3
1984	9.7	3.4	42.5	120.6	399.5	73.3	99.1
1985	10.7	4.1	49.0	118.8	444.0	83.8	107.8
1986	17.4	4.8	52.4	110.8	446.7	88.8	116.5
1987	31.8	9.4	53.0	128.3	491.2	96.4	130.1
1988	14.4	4.1	60.3	135.3	473.7	108.9	139.1
1989	17.3	6.1	61.9	143.7	531.9	115.6	139.3
1990	19.5	5.7	59.1	139.7	535.2	119.0	140.3
1991	8.1	7.4	57.0	170.9	698.3	124.3	173.4
1992	3.5	5.1	66.4	156.5	686.7	131.2	282.7
1993	11.3	9.6	60.8	133.6	698.5	144.4	332.2
Growth Rate (%)							
1992	-84.1	-36.9	15.3	-8.8	-1.7	5.4	48.9
1993	118.2	62.8	-8.7	-15.8	1.7	9.6	16.1
Share of Total (%)							
1992	.1	.1	1.1	2.5	11.0	2.1	4.5
1993	.2	.1	.9	2.1	10.9	2.2	5.2

Table III-4 (continued)

Current Dollar Expenditures on Materials
1969-1993
(millions of dollars)

Year	Domestic Air Transport	Network Air Transport	International Air Transport Linehaul	International Air Transport Terminal/Transit	Highway Transport	Rail Transport	Water Transport	Miscellaneous Transport
1969	296.7				198.2	203.3	11.8	10.0
1970	315.7				221.6	184.8	11.9	11.5
1971	322.6				233.6	167.0	13.2	12.2
1972	304.6				232.4	122.7	12.0	34.1
1973	335.0				250.0	104.2	13.5	31.7
1974	329.8				273.6	109.7	13.7	49.6
1975	347.4				296.1	116.8	20.0	73.9
1976	338.4				337.7	96.4	20.4	61.0
1977	439.0				365.6	101.0	21.3	82.6
1978	384.3				388.5	95.8	20.1	83.2
1979	455.4				433.1	102.7	19.7	80.1
1980	561.7				504.2	134.1	26.3	108.2
1981	663.1				545.5	160.9	29.2	223.7
1982	512.2		196.7	55.4	577.2	180.4	29.9	204.1
1983	518.6		190.3	55.6	616.4	203.9	32.7	212.6
1984	557.4		195.0	50.5	708.2	162.3	32.8	176.5
1985	734.3		192.1	37.5	815.3	204.5	32.8	163.6
1986	778.7		210.4	41.7	876.9	208.8	32.0	181.9
1987	766.1	23.2	209.8	56.4	909.8	216.4	28.1	192.1
1988	741.6	106.6	250.0	49.6	964.1	210.8	31.0	200.3
1989	732.7	106.4	247.0	54.9	993.6	222.9	31.8	224.7
1990	773.6	96.5	266.4	53.1	1052.9	243.2	32.0	224.6
1991	822.1	202.5	343.6	66.3	1136.4	240.2	32.5	328.0
1992	855.6	158.4	364.1	63.6	1143.3	207.7	33.7	333.8
1993	908.5	184.3	357.9	49.6	1209.2	213.6	37.7	320.8
Growth Rate (%)								
1992	4.0	-24.5	5.8	-4.2	.6	-14.6	3.9	1.8
1993	6.0	15.1	-1.7	-24.9	5.6	2.8	11.0	-4.0
Share of Total (%)								
1992	13.6	2.5	5.8	1.0	18.2	3.3	.5	5.3
1993	14.1	2.9	5.6	.8	18.8	3.3	.6	5.0

Table III-4 (continued)

Current Doiler Expenditures on Materials
1969-1993
(millions of dollars)

Year	Heating Fuel	Utilities	Telephone Service	Telegraph Service	Contractual Computer Services	Miscellaneous Services	Vehicles Supplies	Research and Development
1969	9.9	37.2	11.0	.2	.5	24.8	36.3	30.9
1970	10.3	40.7	12.3	.2	.5	26.6	38.0	37.1
1971	11.5	46.1	14.5	.3	.3	31.8	40.1	60.6
1972	12.2	52.7	16.2	.4	.7	40.9	41.5	52.9
1973	12.8	57.2	19.2	.4	1.1	46.2	43.6	55.0
1974	14.7	66.0	22.9	1.2	2.1	65.1	53.4	38.1
1975	19.4	81.1	26.4	.7	3.4	68.9	64.8	17.5
1976	19.1	106.4	30.7	.5	3.2	78.1	70.3	16.4
1977	28.1	119.4	33.7	.5	4.2	78.0	75.8	13.1
1978	28.2	126.8	34.4	.6	3.4	86.0	81.4	10.8
1979	31.2	130.0	38.3	.4	5.1	92.2	94.1	15.5
1980	37.8	146.0	40.0	.5	5.6	95.0	134.2	22.8
1981	44.2	165.0	47.4	.4	5.5	124.4	158.3	28.1
1982	50.0	174.9	58.1	.4	8.2	129.5	159.1	21.3
1983	45.3	181.6	64.1	.4	17.6	151.1	152.9	24.4
1984	48.8	199.5	70.9	.6	21.8	165.5	160.2	14.7
1985	43.2	210.3	72.5	.9	30.8	222.0	168.2	13.7
1986	42.1	214.4	65.4	1.1	26.8	202.3	164.3	7.2
1987	36.2	224.0	58.9	.8	26.0	235.9	155.7	13.9
1988	38.0	239.9	57.7	.6	31.7	250.4	163.2	20.6
1989	38.7	250.3	58.6	.3	29.4	265.0	170.4	61.7
1990	39.4	261.6	60.8	.4	31.6	250.0	175.7	80.6
1991	39.8	285.3	65.3	.5	42.7	302.2	188.5	114.2
1992	39.3	302.4	71.5	.4	67.7	293.9	178.2	159.0
1993	45.2	322.4	81.1	.5	77.9	337.7	180.2	56.9
Growth Rate (%)								
1992	-1.1	5.8	9.1	-19.6	46.1	-2.8	-5.6	33.1
1993	13.9	6.4	12.6	17.7	14.1	13.9	1.1	-102.7
Share of Total (%)								
1992	.6	4.8	1.1	.0	1.1	4.7	2.8	2.5
1993	.7	5.0	1.3	.0	1.2	5.3	2.8	.9

Table III-4 (continued)

Current Dollar Expenditures on Materials
1969-1993
(millions of dollars)

Year	Expensed Building Improvements	Vehicle Services	Maintenance	Miscellaneous Judgements	Miscellaneous	Vehicle Hire	Total Materials
1969	33.2	82.6	4.0	22.6	2.6	29.7	1202.8
1970	15.3	83.3	6.7	26.8	5.4	31.1	1267.2
1971	27.4	85.1	7.4	29.9	3.0	24.5	1353.7
1972	29.5	85.5	8.0	26.0	6.1	24.9	1308.1
1973	24.1	85.6	6.6	27.6	3.5	25.6	1300.5
1974	25.4	104.0	6.7	21.1	1.7	29.5	1443.7
1975	26.2	116.4	5.9	30.0	1.5	27.7	1621.7
1976	7.7	136.2	5.9	29.6	1.2	27.7	1652.6
1977	10.2	143.5	5.2	59.5	2.2	28.0	1844.0
1978	15.5	146.8	5.1	92.8	2.1	26.1	1883.9
1979	17.6	163.5	7.9	119.5	2.2	29.6	2134.1
1980	25.5	204.8	10.0	192.6	3.2	34.0	2636.5
1981	38.1	232.0	12.1	31.8	3.9	34.4	2986.7
1982	63.4	255.9	15.1	44.4	4.8	35.9	3330.1
1983	80.3	268.3	20.3	37.1	5.6	35.5	3589.8
1984	97.6	276.1	26.7	43.0	7.7	37.8	3801.6
1985	104.3	285.6	50.5	45.2	9.6	40.2	4295.3
1986	113.3	297.1	53.3	52.0	11.6	47.2	4465.9
1987	89.7	295.0	48.7	55.1	15.2	59.0	4656.3
1988	96.1	303.6	54.6	54.9	12.7	56.7	4870.3
1989	110.8	310.4	63.9	67.5	12.7	48.2	5117.8
1990	110.4	314.6	69.1	74.5	15.7	41.1	5286.4
1991	140.9	326.4	63.2	97.4	22.8	39.7	6139.7
1992	127.2	334.7	66.3	72.0	33.1	32.2	6270.3
1993	101.0	347.5	69.7	83.8	22.2	31.3	6429.4
Growth Rate (%)							
1992	-10.2	2.5	4.8	-30.2	37.2	-21.0	2.1
1993	-23.1	3.7	5.1	15.2	-40.2	-2.9	2.5
Share of Total (%)							
1992	2.0	5.3	1.1	1.1	.5	.5	
1993	1.6	5.4	1.1	1.3	.3	.5	

Table III-6

Current Dollar Expenditures on Materials
1963-1993
(millions of dollars)

Year	Air Transport	Highway Transport	Rail Transport	Water and Other Transport	Supplies, Services, and Other	Utilities	Research and Development	Misc. Judgements	Total Materials
1963	144.3	109.5	354.5	20.8	251.9	35.3	10.8	9.7	936.9
1964	152.0	114.5	351.4	21.6	262.7	38.1	10.5	10.1	960.8
1965	153.6	126.0	328.9	21.1	279.5	41.8	11.6	9.8	972.3
1966	207.4	141.8	314.1	21.4	301.1	45.8	11.6	12.4	1055.5
1967	263.4	155.9	307.9	21.8	325.1	54.0	15.1	15.2	1158.4
1968	303.2	173.9	230.2	22.2	341.5	55.2	20.2	17.7	1164.1
1969	298.7	198.2	203.3	21.8	369.0	58.3	30.9	22.6	1202.8
1970	315.7	221.6	184.8	23.4	394.2	63.5	37.1	26.8	1267.2
1971	322.6	233.6	167.0	25.4	442.2	72.4	60.6	29.9	1353.7
1972	304.6	232.4	122.7	46.2	442.0	81.4	52.9	26.0	1308.1
1973	335.0	250.0	104.2	45.2	393.9	89.6	55.0	27.6	1300.5
1974	329.8	273.6	109.7	63.3	503.3	104.8	38.1	21.1	1443.7
1975	347.4	296.1	116.8	93.9	592.3	127.6	17.5	30.0	1621.7
1976	338.4	337.7	96.4	81.4	596.2	156.6	16.4	29.6	1652.6
1977	439.0	365.6	101.0	103.9	580.2	181.7	13.1	59.5	1844.0
1978	384.3	388.5	95.8	103.3	618.4	190.0	10.8	92.8	1883.9
1979	455.4	433.1	102.7	99.8	708.3	199.9	15.5	119.5	2134.1
1980	561.7	504.2	134.1	134.5	862.2	224.4	22.8	192.6	2636.5
1981	663.1	545.5	160.9	252.9	1047.5	257.0	28.1	31.8	2986.7
1982	764.4	577.2	180.4	234.0	1224.9	283.4	21.3	44.4	3330.1
1983	764.6	616.4	203.9	245.3	1406.9	291.4	24.4	37.1	3589.8
1984	802.9	708.2	162.3	209.3	1541.5	319.8	14.7	43.0	3801.6
1985	963.8	815.3	204.5	196.4	1729.5	326.9	13.7	45.2	4295.3
1986	1030.8	876.9	208.8	213.8	1753.3	323.1	7.2	52.0	4465.9
1987	1055.5	909.8	216.4	220.2	1865.4	319.9	13.9	55.1	4656.3
1988	1147.8	964.1	210.8	231.3	1904.7	336.1	20.6	54.9	4870.3
1989	1141.0	993.6	222.9	256.5	2026.7	347.9	61.7	67.5	5117.8
1990	1189.7	1052.9	243.2	256.6	2026.7	362.2	80.6	74.5	5286.4
1991	1434.4	1136.4	240.2	360.4	2365.9	390.8	114.2	97.4	6139.7
1992	1441.7	1143.3	207.7	367.5	2465.4	413.6	159.0	72.0	6270.3
1993	1500.2	1209.2	213.6	358.5	2558.0	449.1	56.9	83.8	6429.4
Growth Rate (%)									
1992	.5	.6	-14.6	2.0	4.1	5.7	33.1	-30.2	2.1
1993	4.0	5.6	2.8	-2.5	3.7	8.2	-102.7	15.2	2.5
Share of Total (%)									
1992	23.0	18.2	3.3	5.9	39.3	6.6	2.5	1.1	
1993	23.3	18.8	3.3	5.6	39.8	7.0	.9	1.3	

Table III-7

Current Dollar Values of Factor Input
1963-1993
(millions of dollars)

Year	Capital	Labor	Materials	Total
1963	132.7	3647.0	936.9	4716.6
1964	137.0	3841.9	960.8	4939.7
1965	145.6	4175.9	972.3	5293.9
1966	156.3	4531.5	1055.5	5743.3
1967	181.0	4942.3	1158.4	6281.7
1968	212.6	5350.2	1164.1	6726.9
1969	233.9	5881.3	1202.8	7318.0
1970	265.1	6495.7	1267.2	8027.9
1971	287.3	7439.7	1353.7	9080.8
1972	331.9	8041.4	1308.1	9681.4
1973	396.0	8283.2	1300.5	9979.6
1974	380.0	9613.0	1443.7	11436.7
1975	391.1	10608.8	1621.7	12621.6
1976	490.7	11670.7	1652.6	13814.1
1977	519.0	12746.8	1844.0	15109.8
1978	556.2	13322.1	1883.9	15762.2
1979	615.1	14701.8	2134.1	17451.1
1980	795.9	15922.0	2636.5	19354.3
1981	960.9	17475.0	2986.7	21422.6
1982	1181.3	18519.3	3330.1	23030.7
1983	1113.0	19552.4	3589.8	24255.2
1984	1454.8	21473.5	3801.6	26729.9
1985	1531.3	23687.5	4295.3	29514.1
1986	1430.0	24621.8	4465.9	30517.6
1987	1446.6	26300.2	4656.3	32403.1
1988	1738.7	29490.5	4870.3	36099.5
1989	1863.7	31269.5	5117.8	38251.0
1990	2197.5	33063.6	5286.4	40547.4
1991	2392.4	35603.4	6139.7	44135.5
1992	2586.9	36987.9	6270.3	45845.1
1993	2679.4	38248.0	6429.4	47356.7
Growth Rate (%)				
1992	7.8	3.8	2.1	3.8
1993	3.5	3.3	2.5	3.2
Share of Total (%)				
1992	5.6	80.7	13.7	
1993	5.7	80.8	13.6	

Table IV-3

Hours, Composition Index, Value, Price and Quantity of Postmasters
(millions)

Year	Composition		Value	Price	Quantity
	Hours	Index			
1963	79.3	.9650	215.6	.437	493.5
1964	78.6	.9670	223.7	.456	490.2
1965	77.9	.9691	237.7	.488	487.1
1966	72.4	.9711	246.6	.544	453.6
1967	70.6	.9731	273.3	.616	443.5
1968	70.0	.9752	288.9	.656	440.2
1969	69.2	.9772	305.5	.701	436.1
1970	68.1	.9793	334.3	.777	430.4
1971	68.3	.9835	388.2	.895	433.5
1972	67.2	.9877	428.2	1.000	428.2
1973	66.7	.9920	455.0	1.065	427.2
1974	66.5	.9934	519.8	1.219	426.3
1975	62.1	.9974	569.4	1.426	399.4
1976	57.0	1.0048	584.8	1.582	369.6
1977	55.8	1.0078	606.4	1.671	362.9
1978	53.2	1.0086	608.9	1.758	346.4
1979	54.7	1.0060	660.8	1.862	354.8
1980	55.4	1.0000	740.2	2.071	357.4
1981	55.8	.9973	801.9	2.233	359.0
1982	53.8	.9974	899.1	2.599	346.0
1983	53.8	.9968	921.8	2.663	346.2
1984	53.9	.9999	963.6	2.772	347.6
1985	54.4	1.0014	1043.1	2.968	351.5
1986	54.3	1.0037	1088.5	3.094	351.8
1987	54.6	1.0040	1131.9	3.202	353.5
1988	54.9	1.0045	1244.0	3.493	356.1
1989	54.7	1.0070	1301.8	3.665	355.2
1990	54.5	1.0122	1363.8	3.832	355.9
1991	54.9	1.0147	1453.9	4.046	359.3
1992	55.0	1.0178	1533.5	4.243	361.4
1993	55.0	1.0215	1526.8	4.212	362.5

Growth Rate (%)

1992	.3	.3	5.3	4.8	.6
1993	-.1	.4	-.4	-.7	.3

Share of Labor Value (%)

1992	4.1
1993	4.0

Table IV-3, Continued

Hours, Composition Index, Value, Price and Quantity of Supervisors
(millions)

Year	Hours	Composition		Value	Price	Quantity
		Index				
1963	53.4	1.0202		257.0	.585	439.5
1964	55.1	1.0192		273.3	.604	452.7
1965	56.9	1.0183		292.3	.626	467.2
1966	59.8	1.0174		315.8	.644	490.1
1967	64.1	1.0165		350.7	.667	525.6
1968	70.1	1.0156		397.9	.694	573.5
1969	73.4	1.0147		443.5	.739	600.5
1970	76.5	1.0138		513.8	.822	625.0
1971	77.3	1.0130		587.6	.931	631.0
1972	78.7	1.0123		641.9	1.000	641.9
1973	72.7	1.0115		631.9	1.065	593.2
1974	77.5	1.0106		745.9	1.181	631.5
1975	80.3	1.0086		869.7	1.332	653.2
1976	85.0	1.0093		1003.2	1.450	691.7
1977	83.5	1.0083		1030.4	1.519	678.5
1978	83.5	1.0067		1071.3	1.581	677.5
1979	82.1	1.0044		1169.8	1.760	664.8
1980	87.6	1.0000		1308.5	1.853	706.2
1981	89.8	.9964		1443.3	2.001	721.2
1982	90.6	.9950		1600.5	2.203	726.5
1983	92.2	.9919		1670.4	2.267	736.9
1984	95.9	.9890		1808.5	2.365	764.8
1985	90.2	.9885		1804.0	2.510	718.7
1986	91.7	.9859		1912.9	2.626	728.5
1987	95.4	.9816		2058.8	2.727	754.9
1988	97.4	.9787		2290.2	2.979	768.7
1989	99.2	.9788		2443.5	3.123	782.4
1990	95.2	.9804		2493.5	3.313	752.6
1991	97.2	.9809		2714.6	3.533	768.4
1992	96.4	.9834		2904.5	3.800	764.3
1993	80.6	.9793		2510.5	3.946	636.2
Growth Rate (%)						
1992	-.8	.3		6.8	7.3	-.5
1993	-17.9	-.4		-14.6	3.8	-18.4
Share of Labor Value (%)						
1992				7.9		
1993				6.6		

Table IV-3. Continued

Hours, Composition Indexes, Values, Price and Quantity for Clerks
(millions)

Clerks and Mailhandlers (1963 - 1976)
Clerks (1977 - Present)

Clerks and Mailhandlers

Year	Full Time			Part Time			Casual		Total		Index	
	Composition			Composition			Hours	Value	Value	Price	Quantity	
	Hours	Index	Value	Hours	Index	Value						
1963	329.2	1.0083	1189.0	157.0	1.0181	454.8			1643.8	.544	3021.5	
1964	330.5	1.0049	1238.0	162.1	1.0148	487.8			1725.8	.566	3047.0	
1965	336.0	1.0016	1343.8	164.9	1.0114	531.0			1876.8	.607	3088.3	
1966	358.3	.9983	1495.0	177.9	1.0081	584.9			2079.9	.632	3293.5	
1967	389.7	.9950	1668.0	183.9	1.0048	614.4			2282.4	.648	3520.6	
1968	419.8	.9918	1859.9	168.9	1.0014	598.1			2458.0	.677	3628.6	
1969	436.0	.9885	2053.0	162.1	.9981	611.0			2664.0	.723	3686.8	
1970	442.7	.9852	2261.0	163.4	.9949	660.8			2921.8	.784	3724.5	
1971	436.5	.9874	2554.5	159.9	.9967	744.8			3299.3	.898	3674.1	
1972	439.4	.9896	2851.2	125.5	.9985	668.8			3520.0	1.000	3520.0	
1973	438.7	.9918	3014.2	104.2	1.0003	587.2			3601.4	1.057	3408.7	
1974	440.5	.9917	3449.0	122.9	.9996	783.0			4232.1	1.203	3518.8	
1975	447.2	.9936	3825.4	116.4	1.0006	827.9			4653.3	1.317	3534.0	
1976	434.6	.9984	4201.1	104.3	1.0058	854.4			5055.5	1.485	3403.4	
1977	361.8	1.0016	3964.0	95.6	1.0048	912.7			5619.8	1.677	3350.2	
1978	360.5	1.0009	4159.2	97.9	1.0022	980.6			5879.9	1.769	3324.0	
1979	364.8	1.0008	4556.7	106.4	1.0009	1142.9			6508.2	1.913	3401.3	
1980	365.1	1.0000	4917.9	104.1	1.0000	1196.5			6994.3	2.064	3389.4	
1981	366.4	.9984	5392.1	96.4	1.0007	1238.8			7603.0	2.266	3355.7	
1982	363.3	.9992	5646.3	92.7	1.0009	1268.9			7943.0	2.395	3315.9	
1983	365.8	.9997	5939.7	95.5	1.0006	1362.0			8404.7	2.502	3359.5	
1984	379.6	.9991	6428.6	110.3	.9978	1626.0			9337.0	2.611	3576.5	
1985	382.0	.9968	6915.0	116.0	.9912	1870.5	7.8	44.8	10311.8	2.786	3701.4	
1986	384.8	.9941	7161.2	118.4	.9859	1873.4	21.5	122.6	10675.1	2.839	3760.5	
1987	402.5	.9891	7712.9	117.3	.9866	1935.4	24.6	141.2	11409.5	2.942	3877.8	
1988	414.1	.9862	8611.4	113.6	.9857	2075.3	28.3	168.9	12694.8	3.214	3950.1	
1989	419.5	.9852	9188.8	103.7	.9905	2023.7	29.9	191.0	13404.8	3.396	3947.4	
1990	420.7	.9902	9776.3	93.3	.9975	1983.2	28.2	186.9	14107.4	3.599	3919.7	
1991	415.0	.9957	10362.0	90.4	1.0049	2091.8	34.1	240.5	15055.9	3.861	3899.4	
1992	404.2	1.0004	10564.5	83.1	1.0150	2034.3	37.3	282.2	15320.6	4.024	3807.5	
1993	397.3	.9994	11029.6	70.4	1.0201	1811.6	67.3	650.0	16102.9	4.265	3775.2	
Growth Rate (%)												
1992	-2.6	.5	1.9	-8.5	1.0	-2.8	9.0	16.0	1.7	4.1	-2.4	
1993	-1.7	-.1	4.3	-16.6	.5	-11.6	58.9	83.4	5.0	5.8	-.9	
Share of Labor Value (%)												
1992									41.4			
1993									42.1			

Table IV-3, Continued

Hours, Composition Indexes, Values, Price and Quantity for Mailhandlers
(millions)

Year	Mail Handlers (1977 - Present)								
	Full Time			Part Time			Casual		
	Composition			Composition					
	Hours	Index	Value	Hours	Index	Value	Hours	Value	
1963									
1964									
1965									
1966									
1967									
1968									
1969									
1970									
1971									
1972									
1973									
1974									
1975									
1976									
1977	59.4	.9983	631.2	13.6	1.0073	111.9			
1978	57.6	.9990	648.0	10.3	1.0047	92.0			
1979	58.2	.9996	712.6	10.0	1.0011	96.0			
1980	58.2	1.0000	773.3	10.4	1.0000	106.7			
1981	59.6	.9987	861.4	9.5	.9997	110.6			
1982	59.9	.9998	914.4	9.0	.9998	113.4			
1983	60.8	1.0003	973.9	9.9	.9994	129.1			
1984	64.5	.9971	1083.0	14.5	.9937	199.4			
1985	69.7	.9894	1246.5	14.2	.9896	217.6	3.0	17.3	
1986	73.3	.9853	1332.8	10.5	.9882	150.5	6.0	34.6	
1987	76.3	.9809	1436.1	10.0	.9877	150.3	5.8	33.6	
1988	80.2	.9758	1647.3	9.4	.9866	155.4	6.0	36.5	
1989	84.4	.9737	1831.7	7.4	.9927	132.0	5.8	37.6	
1990	86.1	.9818	1995.1	6.1	1.0011	120.6	6.7	43.3	
1991	85.3	.9870	2156.1	7.0	1.0038	150.2	7.7	55.2	
1992	84.7	.9927	2226.3	6.8	1.0210	156.3	7.7	57.0	
1993	88.1	.9905	2390.7	5.1	.9908	106.2	14.6	114.8	
Growth Rate (%)									
1992	-7	.6	3.2	-3.6	1.7	3.9	-1	3.2	
1993	4.0	-2	7.1	-28.3	-3.0	-38.6	63.7	70.1	

Table IV-3, Continued

Hours, Composition Indexes, Values, Price and Quantity for Vehicle Service Drivers
(millions)

Year	Vehicle Service Drivers (1977 - Present)								
	Full Time			Part Time			Casual		
	Composition			Composition					
	Hours	Index	Value	Hours	Index	Value	Hours	Value	
1963									
1964									
1965									
1966									
1967									
1968									
1969									
1970									
1971									
1972									
1973									
1974									
1975									
1976									
1977	9.0	.9986	102.6	2.5	1.0027	24.1			
1978	8.7	.9996	104.5	2.3	1.0016	23.2			
1979	8.7	.9999	113.4	2.2	1.0025	24.7			
1980	8.8	1.0000	123.3	2.2	1.0000	26.9			
1981	8.4	.9992	129.2	2.2	.9991	29.7			
1982	8.3	1.0003	134.8	2.3	.9952	32.4			
1983	8.3	.9996	139.1	2.4	.9919	34.8			
1984	8.6	.9969	150.7	2.7	.9827	39.7			
1985	9.0	.9925	166.1	2.8	.9833	44.9	.2	1.3	
1986	9.1	.9880	173.2	3.1	.9743	47.9	.2	1.5	
1987	9.7	.9807	189.8	3.1	.9718	50.7	.1	1.1	
1988	10.0	.9753	212.8	3.0	.9672	54.0	.2	1.1	
1989	10.5	.9700	234.5	2.8	.9693	52.4	.2	1.4	
1990	10.8	.9707	257.2	2.3	.9715	48.3	.2	1.9	
1991	10.9	.9747	278.7	2.3	.9732	52.2	.3	2.9	
1992	11.0	.9773	292.3	2.2	.9810	52.5	.4	4.7	
1993	11.2	.9737	312.8	2.0	.9695	49.6	.9	11.1	
Growth Rate (%)									
1992	.7	.3	4.8	-5.5	.8	.5	38.6	47.5	
1993	1.5	-.4	6.8	-8.6	-1.2	-5.5	75.6	87.1	

Table IV-3, Continued

Hours, Composition Indexes, Values, Price and Quantity of Motor Vehicle Service Personnel
(millions)

[illegible]

Table IV-3, Continued

Hours, Composition Index, Value, Price and Quantity of Other Personnel
(millions)

Year	Composition		Value	Price	Quantity
	Hours	Index			
1963	16.8	1.0172	79.7	.588	135.6
1964	16.7	1.0163	83.5	.622	134.3
1965	16.4	1.0153	96.8	.732	132.2
1966	16.3	1.0144	92.4	.706	130.9
1967	16.8	1.0135	100.5	.744	135.1
1968	17.9	1.0126	112.7	.784	143.8
1969	18.7	1.0117	122.3	.818	149.5
1970	19.5	1.0108	160.3	1.030	155.6
1971	22.1	1.0092	204.6	1.160	176.4
1972	21.5	1.0075	171.6	1.000	171.6
1973	22.3	1.0059	198.6	1.120	177.3
1974	25.1	.9993	236.8	1.193	198.6
1975	26.8	.9938	296.6	1.405	211.2
1976	27.4	1.0011	350.5	1.616	216.8
1977	27.3	1.0092	355.0	1.629	217.9
1978	24.3	1.0102	367.5	1.892	194.3
1979	25.1	1.0059	397.9	1.994	199.5
1980	26.0	1.0000	453.1	2.200	205.9
1981	27.3	1.0019	518.2	2.393	216.5
1982	27.1	1.0065	512.9	2.376	215.9
1983	26.9	1.0105	533.4	2.480	215.1
1984	26.8	1.0139	562.2	2.611	215.3
1985	26.8	1.0228	605.1	2.785	217.2
1986	25.7	1.0223	595.8	2.862	208.2
1987	24.6	1.0180	601.6	3.029	198.6
1988	25.2	1.0188	672.9	3.318	202.8
1989	25.3	1.0216	715.1	3.495	204.6
1990	25.4	1.0258	760.6	3.684	206.5
1991	26.0	1.0267	841.6	3.991	210.9
1992	26.9	1.0320	910.5	4.146	219.6
1993	23.3	1.0318	905.6	4.768	189.9
Growth Rate (%)					
1992	3.5	.5	7.9	3.8	4.0
1993	-14.5	.0	-.5	14.0	-14.5
Share of Labor Value (%)					
1992			2.5		
1993			2.4		

Table IV-3, Continued

Value, Price and Quantity of Professional, Administrative and Technical Personnel
(millions)

	Year	Value	Price	Quantity	
	1985	13.5	1.0000	247.2	1.000 247.2
	1986	13.4	1.0000	269.8	1.100 245.3
	1987	17.6	1.0000	394.2	1.223 322.3
	1988	18.6	1.0000	458.1	1.343 341.1
	1989	18.3	1.0000	477.1	1.423 335.3
	1990	17.3	1.0000	480.3	1.517 316.7
	1991	17.2	1.0001	510.6	1.620 315.1
	1992	18.2	1.0006	559.2	1.675 333.8
	1993	17.1	.9964	556.6	1.770 314.4
Growth Rate (%)					
	1992	5.8	.0	9.1	3.3 5.8
	1993	-6.0	-.4	-5	5.5 -6.0
Share of Labor Value (%)					
	1992			1.5	
	1993			1.5	

Table IV-4

Millions of Hours by Occupation

Year	Post- masters	Super- visors	Clerks and Mail Handlers	City Carriers + Vehicle Drivers	Special Delivery	Rural Carriers	Maintenance Service	Vehicle Service	Other Labor	PATs	Total
1963	79.3	53.4	486.2	316.4	10.2	77.3	34.1	8.1	16.8	.0	1081.8
1964	78.6	55.1	492.6	323.0	10.3	76.5	34.5	8.0	16.7	.0	1095.3
1965	77.9	56.9	500.9	332.0	10.8	76.5	34.9	8.3	16.4	.0	1114.8
1966	72.4	59.8	536.3	344.1	11.5	76.4	35.8	8.6	16.3	.0	1161.0
1967	70.6	64.1	573.7	360.4	11.9	76.6	37.5	9.0	16.8	.0	1220.7
1968	70.0	70.1	588.7	371.5	12.5	76.6	40.2	9.8	17.9	.0	1257.4
1969	69.2	73.4	598.1	379.3	12.8	76.8	43.1	10.5	18.7	.0	1281.9
1970	68.1	76.5	606.1	384.2	11.9	77.2	44.6	11.0	19.5	.0	1299.0
1971	68.3	77.3	596.4	384.7	11.1	78.3	46.9	11.4	22.1	.0	1296.4
1972	67.2	78.7	565.0	380.6	10.1	77.9	47.8	11.4	21.5	.0	1260.1
1973	66.7	72.7	542.9	373.7	9.1	77.0	45.6	10.4	22.3	.0	1220.5
1974	66.5	77.5	563.4	376.9	8.9	77.3	47.8	10.1	25.1	.0	1253.5
1975	62.1	80.3	563.6	361.4	8.4	77.7	49.6	9.6	26.8	.0	1239.4
1976	57.0	85.0	538.9	349.9	7.5	78.5	50.5	9.1	27.4	.0	1203.8
1977	55.8	83.5	530.5	346.3	6.5	78.5	51.4	8.9	27.3	.0	1188.7
1978	53.2	83.5	526.4	344.6	6.1	80.6	51.3	8.8	24.3	.0	1178.7
1979	54.7	82.1	539.5	354.9	5.6	82.6	52.2	8.8	25.1	.0	1205.4
1980	55.4	87.6	537.8	357.5	5.5	84.7	52.6	8.8	26.0	.0	1215.9
1981	55.8	89.8	532.0	361.0	5.5	86.5	54.2	8.9	27.3	.0	1220.9
1982	53.8	90.6	524.9	365.1	5.3	82.3	56.2	8.8	27.1	.0	1214.0
1983	53.8	92.2	532.0	371.8	5.3	84.6	58.4	8.8	26.9	.0	1233.8
1984	53.9	95.9	568.9	396.6	5.4	87.0	60.4	9.0	26.8	.0	1303.9
1985	54.4	90.2	592.7	412.5	5.6	91.7	60.8	9.2	26.8	13.5	1357.5
1986	54.3	91.7	614.5	424.8	5.7	96.0	62.1	9.5	25.7	13.4	1397.6
1987	54.6	95.4	636.6	437.2	5.9	99.8	63.6	9.7	24.6	17.6	1445.0
1988	54.9	97.4	651.6	450.6	5.8	106.2	66.6	9.9	25.2	18.6	1486.8
1989	54.7	99.2	650.7	451.4	5.9	109.2	68.3	10.0	25.3	18.3	1493.0
1990	54.5	95.2	641.1	452.6	5.7	113.6	68.0	9.8	25.4	17.3	1483.1
1991	54.9	97.2	639.5	451.1	5.2	117.3	70.2	9.7	26.0	17.2	1488.2
1992	55.0	96.4	623.7	451.3	4.9	120.7	72.0	9.6	26.9	18.2	1478.8
1993	55.0	80.6	642.8	465.3	4.7	124.5	71.6	9.1	23.3	17.1	1494.0
Growth Rate (%)											
1992	.3	-.8	-2.5	.0	-6.6	2.9	2.5	-1.0	3.5	5.8	-.6
1993	-.1	-17.9	3.0	3.1	-3.8	3.1	-.6	-4.8	-14.5	-6.0	1.0
Share of Total Hours (%)											
1992	3.7	6.5	42.2	30.5	.3	8.2	4.9	.6	1.8	1.2	
1993	3.7	5.4	43.0	31.1	.3	8.3	4.8	.6	1.6	1.1	

Table IV-5

Value, Price and Quantity of Aggregate Labor Input
(millions)

Year	Value	Price	Quantity	Hours	Growth Rate (%)			
					Value	Price	Quantity	Hours
1963	3647.0	.536	6800.6	1081.8				
1964	3841.9	.559	6874.4	1095.3	5.2	4.1	1.1	1.2
1965	4175.9	.598	6987.7	1114.8	8.3	6.7	1.6	1.8
1966	4531.5	.623	7271.3	1161.0	8.2	4.2	4.0	4.1
1967	4942.3	.647	7643.9	1220.7	8.7	3.7	5.0	5.0
1968	5350.2	.676	7916.4	1257.4	7.9	4.4	3.5	3.0
1969	5881.3	.728	8084.2	1281.9	9.5	7.4	2.1	1.9
1970	6495.7	.793	8188.0	1299.0	9.9	8.7	1.3	1.3
1971	7439.7	.907	8202.0	1296.4	13.6	13.4	.2	-.2
1972	8041.4	1.000	8041.4	1260.1	7.8	9.8	-2.0	-2.8
1973	8283.2	1.058	7831.3	1220.5	3.0	5.6	-2.6	-3.2
1974	9613.0	1.197	8028.8	1253.5	14.9	12.4	2.5	2.7
1975	10608.8	1.331	7967.9	1239.4	9.9	10.6	-.8	-1.1
1976	11670.7	1.499	7788.1	1203.8	9.5	11.8	-2.3	-2.9
1977	12746.8	1.657	7694.4	1188.7	8.8	10.0	-1.2	-1.3
1978	13322.1	1.748	7620.8	1178.7	4.4	5.4	-1.0	-.8
1979	14701.8	1.891	7775.0	1205.4	9.9	7.9	2.0	2.2
1980	15922.0	2.031	7839.4	1215.9	8.0	7.1	.8	.9
1981	17475.0	2.221	7868.3	1220.9	9.3	8.9	.4	.4
1982	18519.3	2.365	7830.4	1214.0	5.8	6.3	-.5	-.6
1983	19552.4	2.460	7948.9	1233.8	5.4	3.9	1.5	1.6
1984	21473.5	2.566	8368.2	1303.9	9.4	4.2	5.1	5.5
1985	23687.5	2.736	8658.3	1357.5	9.8	6.4	3.4	4.0
1986	24621.8	2.805	8779.0	1397.6	3.9	2.5	1.4	2.9
1987	26300.2	2.911	9035.1	1445.0	6.6	3.7	2.9	3.3
1988	29490.5	3.189	9247.4	1486.8	11.4	9.1	2.3	2.9
1989	31269.5	3.367	9286.8	1493.0	5.9	5.4	.4	.4
1990	33063.6	3.569	9264.4	1483.1	5.6	5.8	-.2	-.7
1991	35603.4	3.832	9292.2	1488.2	7.4	7.1	.3	.3
1992	36987.9	4.001	9243.6	1478.8	3.8	4.3	-.5	-.6
1993	38248.0	4.227	9048.3	1494.0	3.3	5.5	-2.1	1.0

Table V-1

Investment by Asset Class
(millions of dollars)

Year	Land	Buildings	Vehicles	Customer Service Equipment	Postal Support Equipment	Mechanized Processing Equipment	Automated Processing Equipment
1963	.2	8.0	9.2	1.5	5.0	7.8	
1964	.2	10.6	15.4	1.3	7.3	22.2	
1965	.7	14.7	19.7	1.7	5.3	8.9	
1966	.7	16.4	24.6	1.9	4.9	4.4	
1967	.5	38.5	22.9	2.4	11.8	22.1	
1968	1.6	22.4	38.5	2.2	26.4	14.7	
1969	1.4	42.5	27.3	2.5	25.4	24.9	
1970	45.3	66.4	63.2	3.6	24.7	24.4	
1971	1.4	18.8	54.1	3.0	32.0	66.3	
1972	24.2	120.6	55.6	2.2	9.9	25.6	
1973	13.2	117.3	21.7	4.8	13.8	32.8	
1974	10.3	161.9	44.7	2.6	26.8	37.3	
1975	27.9	183.9	55.5	2.2	37.5	255.1	
1976	59.7	614.2	70.3	2.2	20.3	232.9	
1977	51.6	385.8	59.3	1.4	17.2	43.4	
1978	42.9	264.7	35.9	3.8	26.7	63.4	
1979	41.2	218.9	66.1	2.6	28.9	47.4	
1980	42.3	283.8	40.9	3.5	28.2	78.8	
1981	22.4	201.9	33.2	6.9	30.5	42.0	
1982	36.2	220.3	54.9	11.4	43.4	36.7	
1983	47.2	351.2	89.3	9.6	52.9	71.4	84.7
1984	34.5	266.8	127.9	11.6	76.1	41.6	63.1
1985	46.9	332.8	102.3	10.8	172.0	36.9	34.0
1986	95.8	522.4	28.1	21.2	141.4	89.9	63.2
1987	150.1	853.4	118.5	17.2	164.9	79.1	85.2
1988	201.9	843.2	304.1	68.3	68.2	154.9	137.8
1989	172.6	798.1	265.1	27.6	157.8	139.4	85.1
1990	97.5	557.0	292.3	57.2	183.8	69.1	52.5
1991	189.7	1042.8	288.1	15.0	177.9	147.6	163.1
1992	161.0	1178.8	342.0	4.0	173.7	284.0	279.9
1993	69.0	533.2	347.6	2.7	129.1	180.2	304.4
Growth Rate (%)							
1992	-16.4	12.3	17.2	-133.0	-2.4	65.4	54.0
1993	-84.8	-79.3	1.6	-39.9	-29.7	-45.5	8.4

Table V-6

USPS Specific Price Deflators
(1972 = 1.000)

Year	Cancellers	Edger Feeders	Letter Sorting Machines	Old OCRs	Parcel Sorting Machines
1963	.740	.809	1.018	.874	.809
1964	.749	.819	1.018	.874	.819
1965	.771	.843	1.018	.874	.843
1966	.790	.864	1.018	.874	.864
1967	.815	.891	1.018	.874	.891
1968	.832	.910	1.018	.874	.910
1969	.846	.925	1.018	.874	.925
1970	1.010	.957	.966	.874	.957
1971	.978	.976	1.005	1.000	.976
1972	1.000	1.000	1.000	1.000	1.000
1973	.922	1.094	.943	1.000	1.023
1974	.844	1.283	.886	.948	1.106
1975	1.553	1.520	1.105	.896	1.192
1976	1.501	1.757	1.325	.849	1.294
1977	1.315	1.645	1.545	1.049	1.298
1978	1.377	1.608	1.654	1.120	1.302
1979	1.490	1.713	1.764	1.109	1.308
1980	1.647	1.818	1.873	1.109	1.317
1981	1.705	1.923	2.471	1.109	1.320
1982	1.554	1.923	2.478	1.109	1.321
1983	1.554	1.805	2.552	1.109	1.319
1984	1.419	1.852	2.512	1.109	1.318
1985	1.654	1.663	2.539	1.109	1.318
1986	1.703	1.731	2.546	1.109	1.258
1987	2.173	1.689	2.576	1.109	1.201

Table V-6, Continued

USPS Specific Asset Price Deflators

Year	New OCRs	Bar Code Readers	Vehicle Asset Group 10	Vehicle Asset Group 21	Vehicle Asset Group 27	Integrated Retail Terminals	Delivery Bar Code Sorters	Remote Bar Code Imaging
1983	1.000	1.000						
1984	.974	.766						
1985	.969	.606						
1986	.908	1.006						
1987	.886	1.013	1.000	1.000	1.000	..		
1988	.895	1.013	1.000	1.000	1.000	1.000		
1989	.908	1.042	1.042	1.000	1.000	.854		
1990	.908	1.132	1.095	1.015	1.000	.827		
1991	.908	1.079	1.107	1.015	1.545	.827		
1992	.905	1.063	1.122	1.015	1.561	.827	1.000	1.000
1993	.735	1.063	1.079	1.015	1.564	.827	1.022	.884
Growth Rate (%)								
1992	-.3	-1.5	1.3	.0	1.1	.0	.0	.0
1993	-20.9	.0	-3.9	.0	.2	.0	2.2	-12.3

* Only New OCRs, Bar Code Sorters, Retail Terminals, Vehicle Asset Groups, Delivery Bar Code Sorters, and Remote Bar Code Imaging Systems are calculated beyond 1987.

Table V-7

Asset Price Indexes (1963 - 1982)*
(1972 = 1.000)

Year	Land	Buildings	Vehicles	Customer Service Equipment	Postal Support Equipment	Mechanized Processing Equipment	Automated Processing Equipment
1963	.442	.628	.802	.808	.882	.831	
1964	.468	.639	.813	.816	.898	.836	
1965	.503	.655	.820	.821	.899	.846	
1966	.539	.680	.827	.843	.904	.865	
1967	.576	.706	.837	.868	.917	.881	
1968	.632	.730	.866	.875	.925	.896	
1969	.721	.795	.883	.919	.936	.915	
1970	.802	.856	.916	.965	.961	.944	
1971	.894	.933	.969	.987	.987	.992	
1972	1.000	1.000	1.000	1.000	1.000	1.000	
1973	1.166	1.077	1.008	1.012	.992	.989	
1974	1.365	1.214	1.082	1.101	.986	1.061	
1975	1.527	1.325	1.179	1.193	1.006	1.224	
1976	1.691	1.362	1.255	1.241	.974	1.318	
1977	1.894	1.452	1.338	1.299	.942	1.434	
1978	2.152	1.595	1.436	1.397	.886	1.542	
1979	2.472	1.809	1.552	1.512	.835	1.662	
1980	2.816	2.026	1.675	1.643	.793	1.795	
1981	3.166	2.166	1.830	1.748	.789	1.964	
1982	3.439	2.243	1.926	1.829	.773	1.897	
1983	3.767	2.321	1.984	1.888	.774	1.934	1.000
1984	3.980	2.391	2.033	1.910	.776	1.938	.927
1985	4.213	2.527	2.072	1.939	.781	1.947	.907
1986	4.425	2.634	2.133	1.952	.767	1.976	.852
1987	4.651	2.710	2.189	1.987	.758	2.002	.835
1988	4.878	2.840	2.176	1.997	.761	2.040	.841
1989	5.197	2.953	2.253	1.798	.779	2.103	.857
1990	4.889	3.063	2.361	1.761	.765	2.180	.906
1991	4.316	3.123	2.416	1.768	.749	2.235	.879
1992	4.027	3.055	2.454	1.774	.677	2.271	.874
1993	3.796	3.104	2.390	1.791	.612	2.308	.812
Growth Rate (%)							
1992	-6.9	-2.2	1.6	.3	-10.2	1.6	-.6
1993	-5.9	1.6	-2.7	.9	-9.9	1.6	-7.4

* Annual asset prices are used to estimate capital stocks and service flows 1963 - 1982. For 1983 to present quarterly stocks and service flows are summed to obtain annual values. See our quarterly tables for quarterly asset prices since 1982.

Table V-8

Real Investment by Asset Class, Excluding Transfers
(millions of 1972 dollars)

Year	Land	Buildings	Vehicles	Customer Service Equipment	Postal Support Equipment	Mechanized Processing Equipment	Automated Processing Equipment
1963	.2	12.7	11.5	1.9	5.7	9.4	
1964	.2	16.6	19.0	1.5	8.1	26.6	
1965	.9	22.5	24.0	2.1	5.9	10.5	
1966	.8	24.1	29.8	2.3	5.4	5.1	
1967	-6	54.6	27.4	2.8	12.8	25.1	
1968	1.9	30.7	44.5	2.6	28.6	16.4	
1969	1.6	53.5	30.9	2.7	27.2	27.2	
1970	49.9	77.6	69.0	3.8	25.7	25.9	
1971	1.5	20.2	55.8	3.0	32.4	66.9	
1972	24.2	120.6	55.6	2.2	9.9	25.6	
1973	12.0	108.9	21.6	4.8	13.9	33.2	
1974	8.0	133.4	41.3	2.4	27.2	35.2	
1975	20.9	138.8	47.1	1.8	37.3	208.4	
1976	41.1	451.0	56.0	1.8	20.8	176.7	
1977	31.6	265.7	44.3	1.1	18.2	30.3	
1978	22.5	166.0	25.0	2.7	30.1	41.1	
1979	19.0	121.0	42.6	1.7	34.6	28.5	
1980	16.4	140.1	24.4	2.1	35.6	43.9	
1981	7.4	93.2	18.1	3.9	38.7	21.4	
1982	11.2	98.2	28.5	6.2	56.1	19.3	
1983	13.3	151.3	45.0	5.1	68.3	36.9	84.7
1984	9.2	111.6	62.9	6.1	98.1	21.5	68.1
1985	11.8	131.7	49.4	5.6	220.1	18.9	37.5
1986	23.0	198.3	13.2	10.9	184.4	45.5	74.2
1987	34.2	314.9	54.1	8.7	217.7	39.5	102.0
1988	43.9	296.9	139.7	34.2	89.6	75.9	163.9
1989	35.2	270.3	117.6	15.4	202.6	66.3	99.3
1990	21.2	181.9	123.8	32.5	240.1	31.7	57.9
1991	46.6	333.9	119.2	8.5	237.4	66.0	185.6
1992	42.4	385.9	139.4	2.2	256.8	125.0	320.4
1993	19.3	171.8	145.5	1.5	210.7	78.1	375.1
Growth Rate (%)							
1992	-9.5	14.5	15.6	-133.4	7.8	63.8	54.6
1993	-78.9	-80.9	4.3	-40.9	-19.8	-47.1	15.8

Table V-9

Real Investment by Asset Class, Including Transfers
(millions of 1972 dollars)

Year	Land	Buildings	Vehicles	Customer Service Equipment	Postal Support Equipment	Mechanized Processing Equipment	Automated Processing Equipment
1963	.2	12.7	11.5	1.9	5.7	9.4	
1964	.2	16.6	19.0	1.5	8.1	26.6	
1965	.9	22.5	24.0	2.1	5.9	10.5	
1966	.8	24.1	29.8	2.3	5.4	5.1	
1967	.6	54.6	27.4	2.8	12.8	25.1	
1968	1.9	30.7	44.5	2.6	28.6	16.4	
1969	1.6	40.7	30.9	2.7	27.2	27.2	
1970	49.9	234.6	69.0	3.8	25.7	25.9	
1971	45.9	109.9	55.9	3.0	32.3	66.9	
1972	22.6	118.7	55.7	2.2	9.6	25.6	
1973	12.9	114.0	21.7	4.8	13.9	33.2	
1974	6.3	122.6	41.3	2.4	27.3	35.7	
1975	20.8	138.5	47.1	1.8	37.4	209.1	
1976	38.6	447.0	56.0	1.8	20.1	176.8	
1977	32.7	265.7	44.3	1.1	17.2	30.2	
1978	23.2	166.0	25.0	2.7	30.0	41.1	
1979	19.3	121.0	42.6	1.7	34.6	28.6	
1980	16.7	140.1	24.4	2.1	35.6	43.9	
1981	7.4	93.2	18.1	3.9	38.6	21.4	
1982	11.2	98.2	28.5	6.2	56.1	19.3	
1983	16.0	151.3	45.0	5.1	68.3	36.9	84.7
1984	34.8	111.6	62.9	6.1	98.1	21.5	68.1
1985	11.8	131.7	49.4	5.6	216.8	18.9	37.5
1986	23.0	198.3	13.2	10.9	177.2	45.5	74.2
1987	34.3	314.9	54.1	8.7	216.3	39.5	102.0
1988	43.9	296.9	139.7	34.0	86.4	75.6	163.8
1989	35.4	270.3	117.7	15.4	197.9	65.3	99.2
1990	21.2	181.9	123.8	32.5	233.7	31.7	57.9
1991	46.6	333.9	119.3	8.5	232.5	66.0	185.6
1992	42.8	385.5	139.5	2.2	255.2	124.9	320.3
1993	19.3	171.8	145.6	1.5	210.2	78.1	375.1
Growth Rate (%)							
1992	-8.7	14.4	15.6	-133.9	9.3	63.8	54.6
1993	-79.7	-80.8	4.3	-40.3	-19.4	-47.0	15.8

Table V-10

Owned End-of-Year Real Capital Stock by Asset Type
(millions of 1972 dollars)

Year	Land	Buildings	Vehicles	Customer Service Equipment	Postal Support Equipment	Mechanized Processing Equipment	Automated Processing Equipment
1963	431.5	653.3	59.4	14.7	63.6	80.4	
1964	431.8	654.7	67.4	14.6	64.4	100.3	
1965	432.6	661.9	78.3	15.2	62.9	102.4	
1966	433.4	670.6	92.2	15.8	61.1	99.0	
1967	432.8	709.5	100.4	16.9	66.8	115.9	
1968	434.7	723.7	123.6	17.7	87.7	122.7	
1969	436.3	747.5	128.0	18.5	104.7	139.6	
1970	486.2	807.7	169.3	20.3	118.3	153.8	
1971	532.1	809.1	188.1	21.1	137.0	207.9	
1972	554.7	909.0	202.5	21.1	130.8	216.1	
1973	567.6	1001.8	179.6	23.6	129.6	231.3	
1974	574.0	1101.0	181.4	23.5	141.9	247.7	
1975	594.8	1213.9	188.4	22.8	162.9	436.2	
1976	514.4	1389.8	165.2	17.6	131.6	489.4	
1977	675.7	1962.6	205.1	20.7	162.8	590.9	
1978	698.9	2082.8	184.7	21.2	174.0	582.8	
1979	718.3	2155.3	186.4	20.7	188.5	562.8	
1980	735.0	2245.2	169.5	20.6	202.3	559.8	
1981	742.4	2286.0	150.0	22.3	217.6	534.5	
1982	753.6	2331.0	145.3	26.2	248.6	509.3	
1983	767.8	2430.1	156.4	28.4	284.3	502.0	78.2
1984	784.8	2486.0	181.0	31.3	344.2	480.1	133.0
1985	796.8	2561.1	185.1	33.4	510.5	457.8	155.9
1986	820.1	2701.8	157.3	40.3	617.6	462.7	211.1
1987	854.8	2957.0	175.3	44.5	750.6	461.1	286.2
1988	899.3	3187.5	265.2	73.4	741.8	494.1	412.1
1989	935.1	3384.7	314.4	81.1	842.2	514.8	467.6
1990	956.6	3489.7	359.4	104.0	964.1	501.4	481.1
1991	1003.9	3744.8	389.9	101.2	1072.1	521.8	610.6
1992	1047.0	4046.7	432.6	92.6	1189.7	596.3	853.3
1993	1066.6	4125.3	469.5	84.1	1252.3	619.5	1122.1
Growth Rate (%)							
1992	4.2	7.8	10.4	-8.9	10.4	13.3	33.5
1993	1.8	1.9	8.2	-9.6	5.1	3.8	27.4

Table V-11

Value, Price and Quantity of Owned Capital Input by Asset Type
(millions)

Year	Land			Buildings			Vehicles			Customer Service Equipment		
	Value	Price	Qty	Value	Price	Qty	Value	Price	Qty	Value	Price	Qty
1963	.0	.000	19.4	23.4	1.307	17.9	13.0	.840	15.5	1.7	.720	2.4
1964	.0	.000	19.4	21.4	1.197	17.9	12.3	.778	15.8	1.7	.687	2.5
1965	.0	.000	19.4	19.0	1.062	17.9	14.4	.803	17.9	1.8	.719	2.5
1966	.0	.000	19.4	17.1	.949	18.1	17.3	.832	20.8	1.7	.664	2.6
1967	5.0	.255	19.4	25.7	1.402	18.3	20.7	.845	24.5	1.8	.689	2.7
1968	11.2	.576	19.5	29.5	1.519	19.4	22.0	.822	26.8	2.4	.852	2.9
1969	16.0	.818	19.5	28.2	1.429	19.8	30.1	.916	32.9	2.1	.704	3.0
1970	22.5	1.151	19.6	32.6	1.598	20.4	31.5	.927	34.0	2.5	.801	3.1
1971	25.4	1.163	21.8	27.0	1.224	22.0	39.9	.887	45.0	3.3	.950	3.4
1972	23.9	1.000	23.9	22.1	1.000	22.1	50.2	1.000	50.2	3.6	1.000	3.6
1973	23.3	.938	24.9	20.3	.819	24.8	59.7	1.109	53.8	3.7	1.033	3.6
1974	25.9	1.017	25.5	29.5	1.080	27.3	46.4	.971	47.8	2.8	.710	4.0
1975	34.2	1.328	25.8	40.0	1.330	30.0	48.8	1.013	48.2	3.3	.835	4.0
1976	28.6	1.067	26.8	59.2	1.783	33.2	58.6	1.166	50.2	4.4	1.142	3.9
1977	16.3	.566	28.9	75.8	1.600	47.4	66.3	1.207	54.9	4.1	1.101	3.7
1978	7.9	.261	30.3	97.7	1.824	53.6	70.4	1.292	54.5	3.5	1.002	3.5
1979	9.9	.317	31.4	144.6	2.543	56.8	69.3	1.411	49.1	4.0	1.117	3.6
1980	27.0	.835	32.3	251.8	4.269	59.0	83.8	1.686	49.7	4.9	1.405	3.5
1981	50.1	1.520	33.0	360.1	5.876	61.3	85.6	1.900	45.1	6.8	1.949	3.5
1982	55.6	1.670	33.3	453.7	7.271	62.4	89.3	2.238	39.9	8.9	2.363	3.8
1983	18.9	.561	33.7	408.3	6.477	63.0	96.8	2.324	41.7	10.1	2.336	4.3
1984	68.3	1.976	34.5	585.4	8.807	66.5	113.7	2.442	46.6	12.8	2.664	4.8
1985	62.7	1.784	35.1	625.5	9.234	67.7	132.2	2.448	54.0	13.2	2.562	5.2
1986	17.0	.474	35.8	561.9	8.011	70.2	109.7	2.256	48.6	14.1	2.352	6.0
1987	6.4	.175	36.8	557.4	7.439	74.9	98.2	2.284	43.0	14.6	2.184	6.7
1988	57.1	1.466	39.0	680.4	8.257	82.4	140.0	2.380	58.8	20.2	2.368	8.5
1989	74.8	1.827	40.9	702.8	7.870	89.3	191.2	2.395	79.8	27.5	2.374	11.6
1990	236.1	5.626	42.0	779.1	8.462	92.1	224.6	2.449	91.7	34.4	2.321	14.8
1991	268.8	6.177	43.5	873.4	8.981	97.3	258.8	2.517	102.8	38.2	2.311	16.5
1992	306.4	6.719	45.6	956.7	9.161	104.4	283.2	2.519	112.4	35.9	2.260	15.9
1993	290.7	6.172	47.1	1011.9	9.149	110.6	305.6	2.433	125.6	31.6	2.190	14.4
Growth Rate (%)												
1992	13.1	8.4	4.7	9.1	2.0	7.1	9.0	.1	8.9	-6.4	-2.2	-4.1
1993	-5.3	-8.5	3.2	5.6	-.1	5.7	7.6	-3.5	11.1	-12.6	-3.1	-9.5
Share of Owned Value (%)												
1992	15.1			47.1			13.9			1.8		
1993	13.5			47.0			14.2			1.5		

Table V-11, Continued

Value, Price and Quantity of Owned Capital Input by Asset Type
(millions)

Year	Postal Support Equipment			Mechanized Processing Equipment			Automated Processing Equipment		
	Value	Price	Qty	Value	Price	Qty	Value	Price	Qty
1963	9.2	.788	11.7	8.2	.699	11.7			
1964	8.1	.715	11.4	8.3	.681	12.2			
1965	9.3	.813	11.5	9.9	.654	15.2			
1966	9.3	.830	11.2	10.1	.651	15.5			
1967	8.9	.819	10.9	10.7	.718	15.0			
1968	10.6	.891	11.9	13.7	.777	17.6			
1969	14.6	.931	15.6	15.1	.816	18.6			
1970	17.4	.932	18.7	17.8	.843	21.1			
1971	19.4	.922	21.1	17.0	.729	23.3			
1972	24.5	1.000	24.5	31.5	1.000	31.5			
1973	26.2	1.126	23.3	37.2	1.139	32.7			
1974	27.2	1.179	23.1	24.4	.699	35.0			
1975	27.1	1.072	25.3	10.0	.267	37.5			
1976	38.5	1.323	29.1	55.3	.836	66.2			
1977	36.8	1.255	29.3	70.5	.762	92.5			
1978	39.7	1.368	29.0	89.2	.998	89.4			
1979	41.4	1.336	31.0	101.8	1.155	88.2			
1980	45.5	1.351	33.7	129.5	1.517	85.4			
1981	43.6	1.208	36.1	148.6	1.755	84.7			
1982	43.5	1.121	38.8	238.4	2.948	80.9			
1983	49.8	1.121	44.4	193.6	2.520	76.9	3.1	1.028	3.0
1984	60.1	1.154	52.1	215.0	2.814	76.4	29.8	1.311	22.7
1985	71.9	1.093	65.7	192.4	2.647	72.7	31.5	1.009	31.3
1986	98.4	1.066	92.3	157.9	2.264	69.7	36.7	1.006	36.5
1987	106.3	.945	112.4	155.3	2.186	71.0	40.8	.782	52.2
1988	129.3	.988	130.8	169.6	2.353	72.1	61.4	.874	70.3
1989	127.4	.970	131.3	176.7	2.282	77.4	75.9	.797	95.2
1990	146.8	.980	149.9	176.3	2.244	78.6	79.6	.766	103.8
1991	158.9	.944	168.4	175.1	2.259	77.5	81.9	.725	112.9
1992	171.9	.913	188.3	179.9	2.175	82.7	98.7	.673	146.6
1993	176.1	.868	202.9	196.7	2.110	93.3	140.0	.666	210.1
Growth Rate (%)									
1992	7.9	-3.3	11.2	2.7	-3.8	6.5	18.6	-7.5	26.1
1993	2.4	-5.1	7.4	8.9	-3.0	12.0	35.0	-1.0	36.0
Share of Owned Value (%)									
1992	8.5			8.9			4.9		
1993	8.2			9.1			6.5		

Table V-13

Value, Price and Quantity of Rented Capital Input
(millions)

Year	Buildings			Postal Support Equipment		
	Value	Price	Quantity	Value	Price	Quantity
1963	77.2	.797	96.9			
1964	85.1	.805	105.8			
1965	91.2	.813	112.2			
1966	100.8	.824	122.3			
1967	108.1	.839	128.9			
1968	123.2	.859	143.4			
1969	126.0	.887	142.1	1.8	.931	1.9
1970	138.9	.923	150.5	1.9	.932	2.0
1971	153.0	.966	158.3	2.4	.922	2.6
1972	169.0	1.000	169.0	7.0	1.000	7.0
1973	217.5	1.043	208.6	7.9	1.126	7.0
1974	213.8	1.096	195.2	9.8	1.179	8.3
1975	216.0	1.152	187.6	11.7	1.072	10.9
1976	228.5	1.214	188.3	17.5	1.323	13.3
1977	231.3	1.288	179.6	17.9	1.255	14.3
1978	231.7	1.376	168.4	16.0	1.368	11.7
1979	228.7	1.477	154.9	15.3	1.336	11.5
1980	235.3	1.607	146.4	18.0	1.351	13.3
1981	246.3	1.747	141.0	19.7	1.208	16.3
1982	264.6	1.879	140.8	27.3	1.121	24.4
1983	292.7	1.983	147.6	39.5	1.121	35.3
1984	313.9	2.080	150.9	55.9	1.154	48.4
1985	346.5	2.202	157.3	55.5	1.093	50.7
1986	376.9	2.339	161.1	57.6	1.066	54.0
1987	409.8	2.443	167.7	57.7	.945	61.0
1988	426.6	2.535	168.3	54.1	.988	54.7
1989	444.9	2.631	169.1	42.6	.970	43.9
1990	484.3	2.740	176.7	36.2	.980	37.0
1991	499.0	2.847	175.3	38.1	.944	40.4
1992	522.0	2.923	178.6	32.2	.913	35.3
1993	499.7	2.992	167.0	27.1	.868	31.2
Growth Rate (%)						
1992	4.5	2.7	1.9	-16.8	-3.3	-13.5
1993	-4.4	2.3	-6.7	-17.6	-5.1	-12.5
Share of Rented Value (%)						
1992	94.2			5.8		
1993	94.9			5.1		

Tabla V-14

Value, Price and Quantity of Total Capital Input by Asset Type
(millions)

Year	Land			Buildings			Vehicles			Customer Service Equipment		
	Value	Price	Qty	Value	Price	Qty	Value	Price	Qty	Value	Price	Qty
1963	.0	.000	19.4	100.6	.863	116.5	13.0	.840	15.5	1.7	.720	2.4
1964	.0	.000	19.4	106.5	.854	124.8	12.3	.778	15.8	1.7	.687	2.5
1965	.0	.000	19.4	110.2	.842	130.9	14.4	.803	17.9	1.8	.719	2.5
1966	.0	.000	19.4	117.9	.836	141.0	17.3	.832	20.8	1.7	.664	2.6
1967	5.0	.255	19.4	133.8	.906	147.6	20.7	.845	24.5	1.8	.689	2.7
1968	11.2	.576	19.5	152.7	.938	162.7	22.0	.822	26.8	2.4	.852	2.9
1969	16.0	.818	19.5	154.2	.952	162.0	30.1	.916	32.9	2.1	.704	3.0
1970	22.5	1.151	19.6	171.5	1.004	170.8	31.5	.927	34.0	2.5	.801	3.1
1971	25.4	1.163	21.8	180.0	.997	180.5	39.9	.887	45.0	3.3	.950	3.4
1972	23.9	1.000	23.9	191.1	1.000	191.1	50.2	1.000	50.2	3.6	1.000	3.6
1973	23.3	.938	24.9	237.9	1.018	233.7	59.7	1.109	53.8	3.7	1.033	3.6
1974	25.9	1.017	25.5	243.4	1.095	222.3	46.4	.971	47.8	2.8	.710	4.0
1975	34.2	1.328	25.8	256.0	1.176	217.7	48.8	1.013	48.2	3.3	.835	4.0
1976	22.9	1.067	26.8	230.2	1.294	222.3	46.9	1.166	50.2	3.5	1.142	3.9
1977	16.3	.566	28.9	307.1	1.322	232.4	66.3	1.207	54.9	4.1	1.101	3.7
1978	7.9	.261	30.3	329.4	1.437	229.2	70.4	1.292	54.5	3.5	1.002	3.5
1979	9.9	.317	31.4	373.3	1.686	221.4	69.3	1.411	49.1	4.0	1.117	3.6
1980	27.0	.835	32.3	487.1	2.232	218.3	83.8	1.686	49.7	4.9	1.405	3.5
1981	50.1	1.520	33.0	606.4	2.766	219.3	85.6	1.900	45.1	6.8	1.949	3.5
1982	35.6	1.670	33.3	718.3	3.242	221.6	89.3	2.238	39.9	8.9	2.363	3.8
1983	18.9	.561	33.7	701.0	3.087	227.1	96.8	2.324	41.7	10.1	2.336	4.3
1984	68.3	1.976	34.5	899.3	3.799	236.7	113.7	2.442	46.6	12.8	2.664	4.8
1985	62.7	1.784	35.1	971.9	3.997	243.1	132.2	2.448	54.0	13.2	2.562	5.2
1986	17.0	.474	35.8	938.8	3.744	250.8	109.7	2.256	48.6	14.1	2.352	6.0
1987	6.4	.175	36.8	967.2	3.650	265.0	98.2	2.284	43.0	14.6	2.184	6.7
1988	57.1	1.466	39.0	1107.0	3.942	280.8	140.0	2.380	58.8	20.2	2.368	8.5
1989	74.8	1.827	40.9	1147.7	3.883	295.6	191.2	2.395	79.8	27.5	2.374	11.6
1990	236.1	5.626	42.0	1263.4	4.125	306.3	224.6	2.449	91.7	34.4	2.321	14.8
1991	268.8	6.177	43.5	1372.4	4.342	316.0	258.8	2.517	102.8	38.2	2.311	16.5
1992	306.4	6.719	45.6	1478.7	4.440	333.0	283.2	2.519	112.4	35.9	2.260	15.9
1993	298.7	6.172	47.1	1511.6	4.472	338.0	305.6	2.433	125.6	31.6	2.190	14.4
Growth Rate (%)												
1992	13.1	8.4	4.7	7.5	2.2	5.2	9.0	.1	8.9	-6.4	-2.2	-4.1
1993	-5.3	-8.5	3.2	2.2	.7	1.5	7.6	-3.5	11.1	-12.6	-3.1	-9.5
Share of Total Value (%)												
1992	11.8			57.2			18.9			1.4		
1993	10.9			54.4			11.4			1.2		

Table V-14, Continued

Value, Price and Quantity of Total Capital Input by Asset Type
(millions)

Year	Postal Support Equipment			Mechanized Processing Equipment			Automated Processing Equipment		
	Value	Price	Qty	Value	Price	Qty	Value	Price	Qty
1963	9.2	.788	11.7	8.2	.699	11.7			
1964	8.1	.715	11.4	8.3	.681	12.2			
1965	9.3	.813	11.5	9.9	.654	15.2			
1966	9.3	.830	11.2	10.1	.651	15.5			
1967	8.9	.819	10.9	10.7	.718	15.0			
1968	10.6	.891	11.9	13.7	.777	17.6			
1969	16.3	.931	17.5	15.1	.816	18.6			
1970	19.3	.932	20.7	17.8	.843	21.1			
1971	21.8	.922	23.7	17.0	.729	23.3			
1972	31.5	1.000	31.5	31.5	1.000	31.5			
1973	34.1	1.126	30.3	37.2	1.139	32.7			
1974	37.0	1.179	31.4	24.4	.699	35.0			
1975	38.8	1.072	36.2	10.0	.267	37.5			
1976	44.8	1.323	42.4	44.2	.836	66.2			
1977	54.7	1.255	43.6	70.5	.762	92.5			
1978	55.7	1.368	40.7	89.2	.998	89.4			
1979	56.8	1.336	42.5	101.8	1.155	88.2			
1980	63.5	1.351	47.0	129.5	1.517	85.4			
1981	63.3	1.208	52.4	148.6	1.755	84.7			
1982	70.8	1.121	63.2	238.4	2.948	80.9			
1983	89.3	1.121	79.7	193.6	2.520	76.9	3.1	1.028	3.0
1984	116.0	1.154	100.5	215.0	2.814	76.4	29.8	1.311	22.7
1985	127.3	1.093	116.4	192.4	2.647	72.7	31.5	1.009	31.3
1986	156.0	1.066	146.3	157.9	2.264	69.7	36.7	1.006	36.5
1987	164.0	.945	173.4	155.3	2.186	71.0	40.8	.782	52.2
1988	183.3	.988	185.5	169.6	2.353	72.1	61.4	.874	70.3
1989	170.0	.970	175.2	176.7	2.282	77.4	75.9	.797	95.2
1990	183.1	.980	186.9	176.3	2.244	78.6	79.6	.766	103.8
1991	197.1	.944	208.9	175.1	2.259	77.5	81.9	.725	112.9
1992	204.2	.913	223.7	179.9	2.175	82.7	98.7	.673	146.6
1993	203.1	.868	234.1	196.7	2.110	93.3	140.0	.666	210.1
Growth Rate (%)									
1992	3.5	-3.3	6.8	2.7	-3.8	6.5	18.6	-7.5	26.1
1993	-5	-5.1	4.5	8.9	-3.0	12.0	35.0	-1.0	36.0
Share of Total Value (%)									
1992	7.9			7.0			3.8		
1993	7.6			7.3			5.2		

Table V-15

Value, Price and Quantity of Aggregate Capital Input
(millions)

Year	Value	Price	Quantity	Growth Rate (%)		
				Value	Price	Quantity
1963	132.7	.765	173.5			
1964	137.0	.746	183.5	3.2	-2.5	5.6
1965	145.6	.745	195.4	6.1	-.2	6.3
1966	156.3	.744	210.1	7.1	-.1	7.2
1967	161.0	.819	220.9	14.6	9.7	5.0
1968	212.6	.875	243.1	16.1	6.5	9.6
1969	233.9	.917	255.0	9.5	4.7	4.8
1970	265.1	.979	270.8	12.5	6.6	6.0
1971	287.3	.962	298.5	8.0	-1.7	9.8
1972	331.9	1.000	331.9	14.4	3.8	10.6
1973	396.0	1.046	378.4	17.7	4.5	13.1
1974	380.0	1.041	365.0	-4.1	-.5	-3.6
1975	391.1	1.066	366.9	2.9	2.4	.5
1976	490.7	1.238	396.3	22.7	15.0	7.7
1977	519.0	1.203	431.3	5.6	-2.9	8.5
1978	556.2	1.316	422.6	6.9	9.0	-2.0
1979	615.1	1.501	409.8	10.1	13.2	-3.1
1980	795.9	1.949	408.4	25.8	26.1	-.3
1981	960.9	2.351	408.7	18.8	18.8	.1
1982	1181.3	2.887	409.2	20.7	20.5	.1
1983	1113.0	2.647	420.4	-6.0	-8.7	2.7
1984	1454.8	3.214	452.6	26.0	19.4	7.4
1985	1531.3	3.244	472.1	5.1	.9	4.2
1986	1430.0	2.928	488.3	-6.8	-10.2	3.4
1987	1446.6	2.791	518.3	1.2	-4.8	6.0
1988	1738.7	3.087	563.2	18.4	10.1	8.3
1989	1863.7	3.059	609.3	6.9	-.9	7.9
1990	2197.5	3.426	641.5	16.5	11.3	5.1
1991	2392.4	3.559	672.2	8.5	3.8	4.7
1992	2586.9	3.610	716.7	7.8	1.4	6.4
1993	2679.4	3.550	754.7	3.5	-1.7	5.2

Table VI-1, Continued
Value, Price and Quantity by Class of Materials 1969-1993
(millions)

Year	Contractual Building Services			Advertising and Market Research			Computer Services			Miscellaneous Services			Vehicle Supplies		
	Value	Price	Quantity	Value	Price	Quantity	Value	Price	Quantity	Value	Price	Quantity	Value	Price	Quantity
1969	69.4	-864	80.3	2.4	-866	2.8	-5	-864	-6	24.8	-869	28.5	36.3	-830	43.7
1970	73.9	-910	81.3	5.0	-909	5.5	-5	-910	-6	26.6	-913	29.1	38.0	-891	42.6
1971	79.1	-967	81.9	5.8	-967	6.0	-3	-967	-3	31.8	-960	33.1	40.1	-956	41.9
1972	67.8	1,000	67.8	12.4	1,000	12.4	-7	1,000	-7	40.9	1,000	40.9	41.5	1,000	41.5
1973	37.7	1,092	34.5	9.1	1,170	7.8	1.1	1,092	1.0	46.2	1,046	44.2	43.6	1,092	39.9
1974	37.6	1,143	33.0	28.3	1,309	21.6	2.1	1,143	1.9	65.1	1,115	58.4	53.4	1,247	42.8
1975	40.6	1,307	31.1	12.7	1,592	8.0	3.4	1,307	2.6	68.9	1,207	57.1	64.8	1,457	44.5
1976	42.6	1,446	29.4	25.9	1,671	13.8	3.2	1,446	2.2	78.1	1,315	59.4	70.3	1,619	43.4
1977	47.7	1,583	30.2	20.4	2,168	9.4	4.2	1,583	2.7	78.0	1,419	54.9	75.8	1,802	42.1
1978	52.8	1,662	31.6	20.8	2,370	8.8	3.4	1,662	2.0	86.0	1,513	56.9	81.4	1,857	43.9
1979	56.7	1,803	31.6	22.8	2,489	8.5	5.1	1,803	2.8	92.2	1,607	57.4	94.1	1,976	49.1
1980	60.7	1,956	31.6	30.7	3,052	10.1	5.6	1,956	2.9	95.0	1,737	54.7	134.2	2,013	78.7
1981	54.8	2,146	25.5	32.0	3,471	9.2	8.2	2,146	2.6	124.4	1,925	64.6	159.1	2,044	77.9
1982	61.2	2,345	26.1	37.8	3,975	9.5	8.2	2,345	3.5	139.5	2,059	65.7	152.9	2,150	71.1
1983	67.7	2,537	26.7	57.3	4,315	13.3	17.6	2,537	6.9	151.1	2,260	73.2	169.2	2,324	72.0
1984	73.3	2,708	27.1	99.1	4,434	22.3	21.8	2,708	8.1	163.5	2,352	84.2	184.3	2,593	69.3
1985	83.8	2,867	29.2	107.8	4,603	23.4	30.8	2,867	10.8	222.0	2,402	94.4	185.2	2,570	61.8
1986	88.8	3,021	29.4	116.5	4,709	24.7	26.8	3,021	8.9	202.3	2,471	95.5	155.7	2,522	61.9
1987	96.4	3,183	30.3	130.1	4,704	27.6	26.0	3,183	8.2	235.9	2,549	98.2	163.2	2,636	61.4
1988	98.4	3,375	32.3	139.1	4,866	28.6	31.7	3,375	9.4	250.4	2,672	99.2	170.4	2,777	61.4
1989	115.6	3,568	32.4	139.3	5,037	27.6	29.4	3,568	8.2	265.0	2,793	89.5	175.7	2,928	60.0
1990	119.0	3,783	31.5	140.3	5,230	26.8	31.6	3,783	8.3	302.2	2,944	102.6	186.5	3,171	59.5
1991	124.3	3,962	31.4	173.4	5,380	32.2	42.7	3,962	10.8	302.2	3,077	95.5	178.2	3,152	56.5
1992	131.2	4,103	32.0	282.7	5,482	51.6	67.7	4,103	16.5	293.9	3,189	105.9	180.2	3,223	55.9
1993	144.4	4,247	34.0	332.2	5,667	58.6	77.9	4,247	18.3	337.7	3,189	105.9	180.2	3,223	55.9
Growth Rate (%)	5.4	3.5	1.9	48.9	1.9	47.0	46.1	3.5	42.6	-2.8	4.4	-7.2	-5.6	-6	-5.0
1992	5.4	3.5	6.1	16.1	3.3	12.8	14.1	3.5	10.6	13.9	3.6	10.3	1.1	2.2	-1.1
1993	9.6	3.5	6.1	16.1	3.3	12.8	14.1	3.5	10.6	13.9	3.6	10.3	1.1	2.2	-1.1
Share of Materials Value (%)	2.1			4.5			1.1			4.7			2.8		
1992	2.1			4.5			1.1			4.7			2.8		
1993	2.2			5.2			1.2			5.3			2.8		

Table VI-1, Continued
Value, Price and Quantity by Class of Materials 1969-1993
(millions)

Year	Air Transportation						International Terminal/Transit					
	Domestic Network			International Linhaul			Total (1969-1981) Non-Network (1982-)			International		
	Value	Price	Quantity	Value	Price	Quantity	Value	Price	Quantity	Value	Price	Quantity
1969							298.7	.849	351.7			
1970							315.7	.914	345.4			
1971							322.6	.979	329.6			
1972							304.6	1.000	304.6			
1973							335.0	1.028	326.0			
1974							329.8	1.132	291.3			
1975							347.4	1.221	284.5			
1976							336.4	1.310	258.4			
1977							439.0	1.387	316.5			
1978							384.3	1.387	277.1			
1979							455.4	1.439	316.5			
1980							561.7	1.911	294.0			
1981							663.1	2.264	292.9			
1982							196.7	2.364	83.2	55.4	2.364	23.4
1983							190.3	2.056	92.6	55.6	2.321	24.0
1984							195.0	2.009	97.1	50.5	2.299	22.0
1985							192.1	1.946	97.7	37.5	2.310	16.2
1986							210.4	1.887	111.5	41.7	2.350	17.8
1987	23.2	2.240	10.4				209.8	1.779	118.0	56.4	2.413	23.4
1988	104.6	2.616	40.8				250.0	1.901	131.5	49.6	2.530	19.6
1989	104.6	2.695	39.5				247.0	1.878	131.5	54.9	2.906	18.9
1990	94.3	2.284	42.2				246.4	2.124	125.4	53.1	2.980	17.8
1991	202.3	2.186	92.6				343.6	2.278	150.8	64.3	3.180	20.9
1992	158.4	2.137	74.1				344.1	2.291	150.9	63.6	3.345	19.0
1993	184.3	2.123	86.8				357.9	2.272	157.3	49.8	3.268	15.2
Growth Rate (%)												
1992	-24.3	-2.3	-22.2	5.8	.6	5.2	4.0	-1.6	5.6	-4.2	5.1	-9.2
1993	13.1	-1.7	15.7	-1.7	-.8	-.9	6.0	-.2	6.2	-24.9	-2.3	-22.6
Share of Materials Value (%)												
1992	2.5			5.8			13.6			1.0		
1993	2.9			5.6			14.1			.8		

Table VI-1, Continued
Value, Price and Quantity by Class of Materials 1969-1993
(millions)

Year	Highway Transport			Rail Transport			Water and Other Transport			Miscellaneous Transport and Intl. Terminal Dues			Vehicle Transportation		
	Value	Price	Quantity	Value	Price	Quantity	Value	Price	Quantity	Value	Price	Quantity	Value	Price	Quantity
1969	198.2	.827	239.7	203.3	.876	232.1	11.8	1.004	11.7	10.0	.863	11.6	82.6	.830	99.6
1970	221.6	.847	261.5	184.8	.890	207.6	11.9	.994	12.0	11.5	.895	12.8	83.3	.891	93.5
1971	233.6	.920	253.9	167.0	.987	169.2	13.2	.991	13.3	12.2	.962	12.7	85.1	.956	89.0
1972	232.4	1.000	232.4	122.7	1.000	122.7	12.0	1.000	12.0	34.1	1.000	34.1	85.5	1.000	85.5
1973	250.0	1.043	239.7	104.2	1.089	105.3	13.5	1.104	12.2	31.7	1.037	30.5	85.6	1.092	78.3
1974	273.6	1.084	252.4	109.7	1.123	97.6	13.7	1.465	9.3	49.6	1.158	42.9	104.0	1.247	83.4
1975	296.1	1.158	255.7	116.8	1.204	97.0	20.0	1.678	11.9	73.9	1.247	59.2	116.4	1.457	79.8
1976	337.7	1.185	285.0	96.4	1.272	75.8	20.4	1.836	11.1	61.0	1.320	46.2	136.2	1.619	84.1
1977	365.6	1.351	270.5	101.0	1.310	77.1	21.3	1.893	11.2	82.6	1.432	57.7	143.5	1.802	79.7
1978	388.5	1.504	258.3	95.8	1.370	69.9	20.1	2.031	9.9	83.2	1.472	56.6	146.8	1.857	79.0
1979	433.1	1.659	261.0	102.7	1.514	67.8	19.7	2.355	8.4	80.1	1.515	52.9	163.5	1.916	85.4
1980	504.2	1.860	271.1	134.1	1.732	77.4	26.3	2.721	9.7	108.2	1.582	68.4	204.8	2.013	103.5
1981	545.5	2.114	258.0	160.9	1.940	82.1	29.2	3.400	8.6	233.7	1.814	58.6	232.0	2.033	115.3
1982	577.2	2.138	270.0	180.4	2.029	86.9	29.9	3.004	10.0	204.1	4.740	43.1	255.9	2.044	125.2
1983	616.4	2.071	297.6	203.9	2.008	101.5	32.7	3.046	10.7	212.6	4.735	44.9	268.3	2.150	124.8
1984	708.2	2.048	345.7	162.3	1.943	82.7	32.8	3.210	10.2	176.5	4.741	37.2	276.1	2.224	124.1
1985	815.3	2.120	384.6	204.5	1.921	106.5	32.8	3.367	9.7	163.6	4.755	34.6	285.6	2.293	124.5
1986	876.9	2.243	391.0	208.8	1.875	111.4	32.0	3.443	9.3	181.9	6.220	29.2	297.1	2.370	125.4
1987	909.8	2.324	391.5	216.4	1.745	124.0	28.1	3.469	8.1	192.1	6.757	28.4	295.0	2.522	117.0
1988	944.1	2.439	379.7	210.8	1.670	126.2	31.0	3.846	8.1	200.3	6.762	29.6	303.6	2.466	115.2
1989	993.6	2.483	370.3	222.9	1.611	138.3	31.8	4.235	7.5	224.7	6.768	33.2	310.4	2.977	111.8
1990	1052.9	2.745	383.3	243.2	1.552	156.7	32.0	4.288	7.5	224.6	6.776	33.1	314.6	2.968	107.5
1991	1136.4	2.728	416.5	240.2	1.515	159.5	32.5	4.252	7.2	328.0	9.563	38.2	326.4	3.171	102.9
1992	1143.3	2.756	414.8	207.7	1.512	137.4	33.7	4.772	7.1	333.8	9.514	35.1	334.7	3.132	106.2
1993	1209.2	2.824	428.2	213.6	1.539	136.8	37.7	4.914	7.7	320.8	9.776	32.8	347.5	3.223	107.8

Growth Rate (%)

1992 .6

1993 5.6

1.0 -4

2.4 3.2

-2 -14.3

1.8 1.0

-14.6 -2

2.8 2.6

-14.3 3.9

5.4 5.4

-1.6 8.1

-8.5 -6.7

2.5 3.7

3.1 1.5

Share of Materials Value (%)

1992 18.2

1993 18.8

3.3 .5

3.3 .6

5.3 5.0

5.4 5.4

Table VI-1, Continued
Value, Price and Quantity by Class of Materials 1969-1993
(millions)

Year	Heating Fuels			Utilities			Telephone			Telegraph			Research and Development		
	Value	Price	Quantity	Value	Price	Quantity	Value	Price	Quantity	Value	Price	Quantity	Value	Price	Quantity
1969	9.9	.836	11.9	37.2	.846	44.0	11.0	.892	12.3	.2	.892	.2	30.9	.842	36.7
1970	10.3	.893	11.5	40.7	.880	46.2	12.3	.903	13.6	.2	.903	.3	37.1	.900	41.2
1971	11.5	.960	12.0	46.1	.957	48.1	14.5	.948	15.3	.3	.948	.3	60.6	.961	63.1
1972	12.2	1.000	12.2	52.7	1.000	52.7	16.2	1.000	16.2	.4	1.000	.4	52.9	1.000	52.9
1973	12.8	1.140	11.2	57.2	1.040	55.0	19.2	1.019	18.8	.4	1.019	.4	55.0	1.102	49.9
1974	14.7	1.619	9.1	66.0	1.243	53.1	22.9	1.055	21.7	1.2	1.055	1.1	38.1	1.204	31.6
1975	19.4	2.005	9.7	81.1	1.419	57.1	26.4	1.082	24.4	.7	1.082	.6	17.5	1.313	13.5
1976	19.1	2.255	8.5	106.4	1.490	71.4	30.7	1.114	27.6	.5	1.114	.5	16.4	1.402	11.7
1977	28.1	2.556	11.0	119.4	1.611	74.2	33.7	1.119	30.1	.5	1.119	.5	13.1	1.526	8.6
1978	28.2	2.776	10.2	126.8	1.752	72.4	34.4	1.128	30.5	.5	1.128	.5	10.8	1.632	6.6
1979	31.2	3.341	9.3	130.0	1.852	70.2	36.3	1.122	34.1	.4	1.122	.4	15.5	1.812	8.6
1980	37.8	4.295	8.8	146.0	2.162	67.6	40.0	1.146	34.9	.5	1.146	.5	22.8	2.079	11.0
1981	44.2	4.945	8.9	165.0	2.708	64.6	47.4	1.244	38.1	.4	1.244	.3	28.1	2.359	11.9
1982	50.0	5.301	9.4	174.9	2.795	65.0	58.1	1.367	42.5	.4	1.367	.3	21.3	2.627	8.1
1983	45.3	5.724	8.5	181.6	2.941	64.1	58.1	1.436	44.6	.4	1.436	.4	24.4	2.919	8.3
1984	48.8	5.754	8.5	199.5	2.941	67.8	70.9	1.520	46.7	.6	1.520	.4	14.7	3.175	4.6
1985	43.2	5.678	7.4	210.3	3.023	69.6	72.5	1.647	44.0	.9	1.647	.7	13.7	3.373	4.1
1986	42.1	5.172	8.1	214.4	3.057	70.1	65.4	1.674	39.1	1.1	1.674	.7	7.2	3.553	2.0
1987	38.2	4.737	7.6	224.0	3.017	74.3	58.9	1.628	36.2	.8	1.628	.5	13.9	3.770	3.7
1988	38.0	4.721	8.0	239.9	3.038	79.0	57.7	1.589	36.3	.4	1.589	.4	20.6	3.981	5.2
1989	38.7	4.844	8.0	250.3	3.125	80.1	58.6	1.602	36.6	.3	1.602	.2	61.7	4.208	14.7
1990	39.4	5.070	7.7	261.4	3.176	82.3	60.8	1.596	38.1	.3	1.596	.3	80.6	4.490	18.0
1991	39.6	5.283	7.6	283.3	3.375	84.5	65.3	1.577	41.4	.4	1.577	.4	114.2	4.740	24.1
1992	39.3	5.080	7.8	302.4	3.347	87.7	71.5	1.582	45.2	.4	1.582	.3	159.0	4.966	32.0
1993	45.2	5.289	8.5	322.4	3.524	91.5	81.1	1.589	51.0	.5	1.589	.3	56.9	5.190	11.0
Growth Rate (%)															
1992	-1.1	-3.9	2.8	5.8	2.1	3.7	9.1	.4	8.8	-19.6	.4	-20.0	33.1	4.7	28.4
1993	13.9	4.4	9.5	6.4	2.2	4.2	12.6	.4	12.2	17.7	.4	17.2	-102.7	4.4	-107.1
Share of Materials Value (%)															
1992	.6			4.8			1.1			.0			2.5		
1993	.7			5.0			1.3			.0			.9		

Table VI-1, Continued
Value, Price and Quantity by Class of Materials 1969-1993
(millions)

Year	Expensed			Maintenance			Miscellaneous Judgements			Miscellaneous			Vehicle Rental		
	Value	Price	Quantity	Value	Price	Quantity	Value	Price	Quantity	Value	Price	Quantity	Value	Price	Quantity
1969	33.2	.818	40.6	4.0	.864	4.6	22.6	.858	26.3	2.6	.858	3.0	29.7	.916	32.4
1970	15.3	.882	17.6	6.7	.910	7.4	26.8	.904	29.6	5.4	.904	6.0	31.1	.927	33.5
1971	27.4	.951	28.8	7.4	.967	7.6	29.9	.951	31.5	3.0	.951	3.1	24.5	.887	27.7
1972	29.5	1.000	29.5	8.0	1.000	8.0	26.0	1.000	26.0	6.1	1.000	6.1	24.9	1.000	24.9
1973	28.1	1.037	22.8	6.6	1.092	6.0	27.6	1.052	26.2	3.5	1.052	3.3	25.6	1.109	23.1
1974	23.4	1.180	21.5	8.7	1.143	5.8	21.1	1.133	18.6	1.7	1.133	1.5	29.5	.971	30.3
1975	26.2	1.269	20.7	3.9	1.307	4.5	30.0	1.245	24.1	1.5	1.245	1.2	27.7	1.013	27.4
1976	7.7	1.329	5.8	3.9	1.446	4.0	29.6	1.350	21.9	1.2	1.350	1.9	28.0	1.166	23.8
1977	10.2	1.506	7.3	3.2	1.583	3.3	59.5	1.458	41.1	2.2	1.448	1.5	28.0	1.207	23.2
1978	15.5	1.508	10.3	5.1	1.682	3.1	92.8	1.558	59.6	2.1	1.558	1.4	29.6	1.292	20.2
1979	17.6	1.643	10.7	7.9	1.803	4.4	119.5	1.693	70.6	2.2	1.693	1.3	34.0	1.411	21.0
1980	25.5	1.810	14.1	10.0	1.956	5.1	192.6	1.846	104.3	3.6	1.846	1.7	34.0	1.686	20.2
1981	38.1	1.971	19.3	12.1	2.146	5.6	31.8	2.034	15.6	2.2	2.034	1.9	35.9	1.900	16.0
1982	63.4	2.072	30.6	15.1	2.345	6.4	44.4	2.185	20.3	5.8	2.185	2.2	37.8	2.133	15.3
1983	80.3	2.150	37.4	20.3	2.537	8.0	37.1	2.276	16.3	7.6	2.276	3.2	37.8	2.139	15.5
1984	97.6	2.243	43.5	26.7	2.708	9.8	43.0	2.376	18.1	9.6	2.376	3.9	40.2	2.155	16.4
1985	106.3	2.295	45.5	50.5	2.867	17.6	45.2	2.467	18.3	11.6	2.467	6.6	47.2	2.263	20.9
1986	113.3	2.331	48.6	53.3	3.021	17.7	52.0	2.540	20.5	15.2	2.540	5.8	59.0	2.282	25.9
1987	89.7	2.400	37.4	48.7	3.183	15.3	55.1	2.615	21.1	15.2	2.615	5.8	56.7	2.363	23.8
1988	96.1	2.466	39.0	54.6	3.375	16.2	54.9	2.710	20.3	12.7	2.710	4.7	48.2	2.400	20.1
1989	110.8	2.532	43.7	63.9	3.568	17.9	67.5	2.833	23.8	12.7	2.833	4.5	41.1	2.448	16.8
1990	110.4	2.622	42.1	69.1	3.783	18.3	74.5	2.954	25.2	15.7	2.954	5.3	39.7	2.521	15.9
1991	140.9	2.740	51.4	63.2	3.962	16.0	97.4	3.079	31.6	22.8	3.079	7.4	32.2	2.526	12.7
1992	127.2	2.820	45.1	66.3	4.103	16.2	72.0	3.172	22.7	33.1	3.172	10.4	31.3	2.443	12.8
1993	101.0	2.850	35.4	69.7	4.247	16.4	83.8	3.257	25.7	22.2	3.257	6.8	21.0	.2	-21.2
Growth Rate (%)															
1992	-10.2	2.9	-13.1	4.8	3.5	1.3	-30.2	3.0	-33.2	37.2	3.0	34.2	-21.0	-2.9	-21.2
1993	-23.1	1.1	-24.1	5.1	3.5	1.6	15.2	2.7	12.5	-40.2	2.7	-42.8	-2.9	-3.3	.4
Share of Materials Value (%)															
1992	2.0			1.1			1.1			.5			.5		
1993	1.6			1.1			1.3			.3			.5		

Table VI-2
Value, Price and Quantity by Class of Materials 1963-1993
(millions)

Year	Air Transport			Highway Transport			Rail Transport			Water and Other Transport		
	Value	Price	Quantity	Value	Price	Quantity	Value	Price	Quantity	Value	Price	Quantity
1963	144.3	.800	180.5	109.5	.609	179.8	354.5	.819	433.1	20.8	.801	26.0
1964	152.0	.789	192.7	114.5	.616	186.0	351.4	.806	436.2	21.6	.811	26.6
1965	153.6	.790	194.4	126.0	.671	187.7	328.9	.788	417.3	21.1	.838	25.2
1966	207.4	.798	260.0	141.8	.682	207.8	314.1	.782	401.4	21.6	.876	24.4
1967	263.4	.794	331.7	155.9	.696	224.1	307.9	.787	391.2	21.8	.906	24.1
1968	303.2	.802	378.0	173.9	.749	232.0	230.2	.815	282.4	22.2	.921	24.1
1969	298.7	.849	351.7	198.2	.827	239.7	203.3	.876	232.1	21.8	.954	23.6
1970	315.7	.914	345.4	221.6	.847	261.5	184.8	.890	207.6	23.4	.956	25.0
1971	322.6	.979	329.6	233.6	.920	253.9	167.0	.987	169.2	25.4	.967	28.3
1972	304.6	1.000	304.6	232.4	1.000	232.4	122.7	1.000	122.7	25.4	1.000	28.3
1973	335.0	1.028	326.0	250.0	1.043	239.7	104.2	.989	105.3	45.2	1.055	42.8
1974	329.8	1.132	291.3	273.6	1.084	252.4	109.7	1.123	97.6	63.3	1.232	51.4
1975	347.4	1.221	284.5	296.1	1.158	255.7	116.8	1.204	97.0	93.9	1.345	69.8
1976	338.4	1.310	258.4	337.7	1.185	285.0	96.4	1.272	75.8	81.4	1.434	56.8
1977	439.0	1.387	316.5	365.6	1.351	270.5	101.0	1.310	77.1	103.9	1.539	67.5
1978	384.3	1.387	277.1	388.5	1.504	258.3	95.8	1.370	69.9	103.3	1.595	64.8
1979	455.4	1.439	316.5	433.1	1.659	261.0	102.7	1.514	67.8	99.8	1.681	59.4
1980	561.7	1.911	294.0	504.2	1.860	271.1	134.1	1.732	77.4	134.5	1.790	75.1
1981	663.1	2.264	292.9	545.5	2.114	258.0	160.9	1.960	82.1	252.9	3.904	64.8
1982	764.4	2.364	323.3	577.2	2.138	270.0	180.4	2.029	88.9	234.0	4.654	50.3
1983	764.6	2.161	353.8	616.4	2.071	297.6	203.9	2.008	101.5	245.3	4.658	52.7
1984	802.9	2.063	389.1	708.2	2.048	345.7	162.3	1.963	82.5	209.3	4.698	44.6
1985	943.8	2.353	409.5	815.3	2.120	384.6	204.5	1.921	106.5	196.4	4.747	41.4
1986	1030.8	2.325	443.4	876.9	2.243	391.0	208.8	1.875	111.4	213.8	5.972	35.8
1987	1055.5	2.227	474.0	909.8	2.324	399.5	216.4	1.745	124.0	220.2	6.420	34.3
1988	1127.8	2.174	528.0	944.1	2.539	379.7	210.8	1.670	126.2	231.3	6.512	35.5
1989	1141.0	2.137	536.4	993.6	2.683	370.3	222.9	1.611	138.3	256.5	6.599	38.9
1990	1189.7	2.133	527.8	1052.9	2.745	383.6	243.2	1.552	156.7	256.6	6.615	38.8
1991	1434.4	2.214	647.9	1136.4	2.728	416.5	240.2	1.515	158.5	360.4	8.220	43.8
1992	1441.7	2.194	657.1	1143.3	2.756	418.8	207.7	1.512	137.4	367.5	9.070	40.5
1993	1500.2	2.183	687.2	1209.2	2.824	428.2	213.6	1.539	138.8	358.5	9.321	38.5
Growth Rate (%)												
1992	4.5	-.5	1.4	.6	1.0	-.4	-14.6	-.2	-14.3	2.0	9.8	-7.9
1993	4.0	-.5	4.5	5.6	2.4	3.2	2.8	1.8	1.0	-2.5	2.7	-5.2
Share of Materials Value (%)												
1992	23.0			18.2			3.3			5.9		
1993	23.3			18.8			3.3			5.6		

Table VI-2, Continued
Value, Price and Quantity by Class of Materials 1963-1993
(millions)

Year	Supplies			Utilities			Research and Development			Miscellaneous Judgements		
	Value	Price	Quantity	Value	Price	Quantity	Value	Price	Quantity	Value	Price	Quantity
1963	251.9	.722	348.9	35.3	.834	42.3	10.8	.650	16.6	9.7	.712	13.6
1964	262.7	.729	360.5	38.1	.835	45.6	10.5	.676	15.5	10.1	.723	14.0
1965	279.5	.745	375.1	41.8	.830	50.4	11.6	.705	16.4	9.8	.739	13.3
1966	301.1	.765	393.7	45.8	.827	55.4	11.6	.731	15.9	12.4	.760	16.3
1967	325.1	.791	411.2	54.0	.834	64.7	15.1	.756	20.0	15.2	.786	19.3
1968	341.5	.822	415.6	55.2	.839	65.8	20.2	.786	25.7	17.7	.816	21.7
1969	369.0	.870	424.2	58.3	.854	68.3	30.9	.842	36.7	22.6	.858	26.3
1970	394.2	.919	429.2	63.5	.887	71.6	37.1	.900	41.2	26.8	.904	29.6
1971	442.2	.963	459.4	72.4	.955	75.7	60.6	.961	63.1	29.9	.951	31.5
1972	442.0	1.000	442.0	81.4	1.000	81.4	52.9	1.000	52.9	26.0	1.000	26.0
1973	393.9	1.084	363.4	89.6	1.049	85.4	55.0	1.102	49.9	27.6	1.052	26.2
1974	503.3	1.193	421.7	104.8	1.244	84.3	38.1	1.204	31.6	21.1	1.133	18.6
1975	592.3	1.334	443.9	127.6	1.404	90.8	17.5	1.313	13.3	30.0	1.245	24.1
1976	596.2	1.451	410.8	156.6	1.483	105.6	16.4	1.402	11.7	29.6	1.350	21.9
1977	580.2	1.577	367.8	181.7	1.590	114.3	13.1	1.526	8.6	59.5	1.448	41.1
1978	618.4	1.662	372.2	190.0	1.705	111.4	10.8	1.632	6.6	92.8	1.558	59.6
1979	708.3	1.785	396.7	199.9	1.817	110.0	15.5	1.812	11.0	119.5	1.693	70.6
1980	862.2	1.940	444.4	224.4	2.101	106.8	22.8	2.079	8.1	192.6	1.846	104.3
1981	1047.5	2.070	506.1	257.0	2.377	108.1	26.1	2.359	11.9	31.8	2.034	15.6
1982	1224.9	2.156	568.1	283.4	2.402	108.9	21.3	2.627	8.1	44.4	2.185	20.3
1983	1606.9	2.249	625.6	291.4	2.716	107.3	24.4	2.919	8.3	37.1	2.276	18.1
1984	1541.5	2.332	640.9	319.8	2.842	112.5	14.7	3.175	4.6	43.0	2.376	18.3
1985	1729.5	2.409	718.1	326.9	2.935	111.2	13.7	3.373	4.1	45.2	2.467	18.3
1986	1753.3	2.468	710.3	323.1	2.935	110.1	7.2	3.553	2.0	52.0	2.540	20.5
1987	1865.4	2.554	730.3	336.1	2.843	111.8	13.9	3.770	3.7	55.1	2.615	21.1
1988	1904.7	2.641	715.8	334.1	2.843	111.8	20.6	3.981	5.2	58.9	2.710	20.3
1989	2026.7	2.780	729.0	347.9	2.933	118.6	61.7	4.208	14.7	67.3	2.833	23.8
1990	2026.7	2.902	698.4	362.2	2.982	121.4	80.6	4.490	18.0	74.3	2.934	25.2
1991	2365.9	3.062	772.6	390.8	3.121	125.2	144.2	4.740	24.1	97.4	3.079	31.6
1992	2465.4	3.108	793.4	415.6	3.190	139.0	139.0	4.966	32.0	72.0	3.172	22.7
1993	2556.0	3.184	803.5	449.1	3.226	139.2	56.9	5.190	11.0	83.8	3.257	25.7
Growth Rate (%)												
1992	4.1	1.5	2.7	5.7	1.2	4.5	33.1	4.7	28.4	-30.2	3.0	-33.2
1993	3.7	2.4	1.3	8.2	2.1	6.1	-102.7	4.4	-107.1	15.2	2.7	12.5
Share of Materials Value (%)												
1992	39.3			6.6			2.5			1.1		
1993	39.8			7.0			.9			1.3		

Table VI-3
Value, Price and Quantity of Aggregate Materials
(millions)

Year	Value	Price	Quantity	Growth Rate (%)	
				Value	Quantity
1983	936.9	.753	1244.7		
1984	960.8	.750	1280.9	2.5	2.9
1985	972.3	.758	1282.3	1.2	1.1
1986	1055.5	.766	1377.6	8.2	7.2
1987	1158.4	.777	1490.0	9.3	8.3
1988	1164.1	.805	1446.8	.5	3.4
1989	1202.8	.857	1403.2	3.3	-2.9
1990	1267.2	.898	1410.6	5.2	-3.1
1991	1353.7	.961	1408.5	6.6	4.7
1992	1308.1	1.000	1308.1	-3.4	6.8
1993	1300.5	1.051	1237.7	-6	-7.4
1994	1443.7	1.155	1249.4	10.4	9.5
1995	1621.7	1.266	1280.7	11.6	2.5
1996	1652.6	1.349	1224.8	1.9	-4.5
1997	1844.0	1.464	1259.5	11.0	8.2
1998	1883.9	1.544	1220.5	2.1	-3.1
1999	2134.1	1.656	1268.8	12.5	5.4
2000	2636.5	1.904	1364.6	21.1	7.2
2001	2986.7	2.269	1316.2	12.5	-5.1
2002	3330.1	2.389	1393.8	10.9	5.7
2003	3589.8	2.377	1510.4	7.5	8.0
2004	3801.6	2.393	1588.3	5.7	5.0
2005	4295.3	2.519	1705.4	12.2	7.1
2006	4465.9	2.590	1724.4	3.9	2.8
2007	4656.3	2.614	1761.0	4.2	2.9
2008	4870.3	2.687	1812.7	4.5	3.2
2009	5117.8	2.752	1859.3	5.0	2.7
2010	5288.4	2.816	1877.3	3.2	2.5
2011	6139.7	2.940	2086.1	15.0	10.8
2012	6270.3	2.980	2104.1	2.1	4.3
2013	6429.4	3.037	2116.7	2.5	1.9

Table VII-3

Pieces of Mail, Apportioned Costs and Apportioned Cost per Piece
by Class of Mail
(millions)

Year	First Class Letters and Parcels			First Class Non-Prasort Cards			First Class Government Cards		
	Pieces	Costs	AC/P	Pieces	Costs	AC/P	Pieces	Costs	AC/P
1969	44019.5	1645.3	.037	1589.9	31.8	.020	801.7	14.4	.018
1970	46272.6	1936.7	.042	1569.3	34.5	.022	798.5	13.6	.017
1971	47612.5	2061.4	.043	1709.0	32.5	.019	714.3	11.4	.016
1972	46715.1	2235.4	.048	1646.1	32.9	.020	572.2	10.3	.018
1973	48712.1	2364.6	.049	1646.8	41.2	.025	605.6	8.5	.014
1974	49300.4	2759.2	.056	1728.1	41.5	.024	566.0	11.3	.020
1975	49257.1	3395.6	.069	1627.2	52.1	.032	488.4	9.8	.020
1976	61868.0	7086.8	.115	2196.8	103.2	.047	590.3	21.8	.037
1977	49454.6	6323.9	.128	1563.1	93.8	.060	392.4	15.7	.040
1978	50826.1	6784.7	.133	1525.7	90.0	.059	343.1	15.4	.045
1979	50759.4	7078.2	.139	1589.9	106.5	.067	333.1	18.0	.054
1980	51055.6	6234.4	.122	1488.9	107.2	.072	334.4	20.1	.060
1981	50132.7	6571.9	.131	1563.6	122.0	.078	296.9	14.8	.050
1982	48586.0	6801.8	.140	1601.1	129.7	.081	348.9	20.9	.060
1983	48054.8	7103.9	.148	1656.4	134.2	.081	483.4	49.8	.103
1984	50267.3	7740.7	.154	1799.8	180.0	.100	340.4	25.9	.076
1985	51930.8	8511.8	.164	2008.0	198.7	.099	347.8	24.3	.070
1986	52890.8	8683.7	.164	2024.3	197.8	.098	353.7	31.0	.088
1987	54159.9	9164.8	.169	2119.2	224.6	.106	372.7	33.3	.089
1988	54363.6	10138.8	.187	2559.6	284.7	.111	506.5	36.7	.073
1989	54564.2	10900.1	.200	2416.1	330.8	.137	539.4	36.5	.068
1989	56019.2	11116.1	.198	2436.8	335.2	.138	539.4	39.4	.073
1990	56787.8	11365.7	.200	2824.3	382.3	.135	482.8	31.7	.066
1991	56351.1	11947.7	.212	2560.7	413.2	.161	497.1	33.1	.067
1992	54963.1	12009.5	.219	2506.7	410.9	.164	609.8	25.4	.042
1993	55204.3	12062.2	.219	2378.4	389.9	.164	535.2	22.3	.042
Growth Rate (%)									
1992	-2.5	.5	3.0	-2.1	-.5	1.6	20.4	-26.3	-46.8
1993	.4	.4	.0	-5.3	-5.3	.0	-13.1	-13.1	.0
Value Share of First Class (%)									
1992		74.2			2.5			.2	
1993		73.7			2.4			.1	
Value Share of Mail Output (%)									
1992		42.5			1.5			.1	
1993		41.6			1.3			.1	

Table VII-3 (continued)

Pieces of Mail, Apportioned Costs and Apportioned Cost per Piece
by Class of Mail
(millions)

Year	First Class Presort Letters			First Class Presort Cards			First Class		
	Pieces	Apportioned Costs	AC/P	Pieces	Apportioned Costs	AC/P	Pieces	Apportioned Costs	AC/P
1969							48068.2	1856.8	.039
1970							50173.5	2172.9	.043
1971							51493.2	2318.8	.045
1972							50292.9	2424.1	.048
1973							52291.2	2603.2	.050
1974							52929.2	3032.3	.057
1975							52481.9	3665.9	.070
1976							65012.7	7323.9	.113
1977	1863.8	111.8	.060	393.6	15.3	.039	53667.5	6560.6	.122
1978	2778.6	183.4	.066	507.7	17.8	.035	55981.3	7091.3	.127
1979	4846.1	324.7	.067	397.4	22.7	.057	57925.9	7550.0	.130
1980	6838.0	451.3	.066	559.1	19.0	.034	60276.1	6832.0	.113
1981	8821.7	608.7	.069	595.3	20.2	.034	61410.2	7337.7	.119
1982	11095.7	887.7	.080	568.5	24.4	.043	62200.2	7864.5	.126
1983	13355.5	1135.2	.085	696.8	23.0	.033	64246.9	8446.1	.131
1984	15310.6	1362.6	.089	710.5	31.3	.044	68428.6	9340.5	.136
1985	17546.2	1525.6	.087	607.4	31.6	.052	72440.3	10292.0	.142
1986	19808.4	1676.0	.085	811.5	32.7	.040	75888.8	10621.2	.140
1987	21379.3	1915.7	.090	838.3	46.6	.056	78869.3	11385.1	.144
1988	23809.2	2336.6	.098	1077.7	65.6	.061	82316.6	12862.5	.156
1989	24955.2	2571.9	.103	1222.3	79.7	.065	83697.2	13919.1	.166
1989	25895.5	2627.0	.101	1232.8	80.4	.065	86123.6	14198.0	.165
1990	27584.6	2893.6	.105	1590.2	109.5	.069	89269.6	14782.9	.166
1991	28805.3	3225.6	.112	2070.4	138.7	.067	90284.6	15758.2	.175
1992	31231.7	3620.5	.116	1469.7	119.2	.081	90781.0	16185.7	.178
1993	32650.1	3785.0	.116	1401.4	113.7	.081	92169.4	16373.1	.178
Growth Rate (%)									
1992	8.1	11.6	3.5	-34.3	-15.1	19.2	.5	2.7	2.1
1993	4.4	4.4	.0	-4.8	-4.8	.0	1.5	1.2	-4
Value Share of First Class (%)									
1992		22.4			.7				
1993		23.1			.7				
Value Share of Mail Output (%)									
1992		12.8			.4			57.3	
1993		13.0			.4			56.4	

Table VII-3 (continued)

Pieces of Mail, Apportioned Costs and Apportioned Cost per Piece
by Class of Mail
(millions)

Year	Airmail			Priority			Express		
	Pieces	Apportioned Costs	AC/P	Pieces	Apportioned Costs	AC/P	Pieces	Apportioned Costs	AC/P
1969	1657.1	165.3	.100	178.6	88.8	.497			
1970	1533.2	188.1	.123	184.7	93.9	.508			
1971	1457.4	213.5	.146	197.0	103.0	.523			
1972	1359.5	145.5	.107	207.6	104.5	.503			
1973	1326.6	189.0	.142	209.0	150.7	.721			
1974	1334.7	220.3	.165	222.2	153.6	.691			
1975	1109.2	208.5	.188	206.5	164.7	.798			
1976	357.7	112.1	.313	234.2	225.8	.964			
1977				202.4	234.7	1.160	5.3	19.6	3.698
1978				212.8	209.7	.985	8.0	27.5	3.437
1979				228.9	284.2	1.242	12.2	49.6	4.066
1980				248.2	310.7	1.252	17.5	69.6	3.977
1981				269.3	344.0	1.277	23.8	82.5	3.466
1982				258.7	330.2	1.276	28.4	106.1	3.736
1983				271.4	354.2	1.305	36.8	124.4	3.380
1984				293.4	376.0	1.282	43.9	176.6	4.023
1985				307.8	438.1	1.423	45.2	216.7	4.789
1986				329.9	498.6	1.511	40.1	210.6	5.251
1987				354.3	506.5	1.429	41.5	253.2	6.095
1988				404.7	656.8	1.623	44.1	309.8	7.023
1989				440.3	745.6	1.693	51.9	389.9	7.510
1989				474.6	812.7	1.712	53.5	401.5	7.507
1990				517.9	885.6	1.710	58.6	459.4	7.841
1991				530.4	1012.5	1.909	58.0	503.9	8.692
1992				584.4	1046.1	1.790	53.2	481.1	9.047
1993				664.4	1189.3	1.790	52.4	473.9	9.047
Growth Rate (%)									
1992				9.7	3.3	-6.4	-8.6	-4.6	4.0
1993				12.8	12.8	.0	-1.5	-1.5	.0
Value Share of Mail Output (%)									
1992					3.7			1.7	
1993					4.1			1.6	

Table VII-3 (continued)

Pieces of Mail, Apportioned Costs and Apportioned Cost per Piece
by Class of Mail
(millions)

Year	Second Class Publishers Within County			Second Class Publishers Non-profit			Second Class Publishers Classroom		
	Pieces	Apportioned Costs	AC/P	Pieces	Apportioned Costs	AC/P	Pieces	Apportioned Costs	AC/P
1969	1637.5	33.7	.021	2100.6	66.5	.032	100.6	6.7	.067
1970	1714.7	24.6	.014	2103.8	48.5	.023	111.2	4.4	.040
1971	1718.8	29.1	.017	2241.7	56.3	.025	92.3	2.7	.029
1972	1691.0	30.1	.018	2311.1	60.8	.026	84.7	2.5	.030
1973	1576.3	30.6	.019	2232.1	66.3	.030	70.3	2.1	.030
1974	1464.3	32.1	.022	2216.9	80.0	.036	72.5	2.1	.029
1975	1458.5	35.9	.025	2460.4	112.3	.046	69.2	3.5	.051
1976	1764.7	74.3	.042	2829.3	165.5	.058	82.5	6.6	.080
1977	1363.2	73.0	.054	2304.0	176.3	.077	65.0	6.7	.103
1978	1295.2	83.6	.065	2388.0	170.1	.071	59.9	6.6	.110
1979	1199.1	81.9	.068	2223.4	174.2	.078	63.3	6.0	.095
1980	1373.8	55.7	.041	2936.0	164.3	.056	76.3	8.2	.107
1981	1351.7	61.4	.045	2826.6	172.8	.061	55.9	4.6	.082
1982	1265.9	71.3	.056	2371.5	152.4	.064	37.6	4.0	.106
1983	1305.5	76.7	.059	1900.2	130.7	.069	40.9	4.5	.110
1984	1360.0	74.7	.055	2040.9	149.3	.073	31.2	3.2	.103
1985	1837.6	96.1	.052	2136.7	179.4	.084	45.5	4.5	.099
1986	1738.0	91.9	.053	2249.7	182.9	.081	37.4	4.5	.120
1987	1479.5	90.6	.061	2246.4	206.5	.092	48.6	7.3	.151
1988	1488.3	106.1	.071	2309.3	236.1	.102	61.2	8.8	.144
1989	1458.8	109.4	.075	2485.9	267.5	.108	55.2	10.4	.188
1989	1458.8	109.3	.075	2485.9	267.4	.108	55.2	10.4	.188
1990	1382.9	111.7	.081	2428.3	295.6	.122	37.9	10.7	.282
1991	1179.5	106.2	.090	2180.6	287.6	.132	43.2	10.9	.253
1992	1192.7	120.2	.101	2421.2	355.0	.147	64.6	13.3	.205
1993	1057.7	106.6	.101	2296.3	336.7	.147	94.0	19.3	.205
Growth Rate (%)									
1992	1.1	12.4	11.2	10.5	21.0	10.6	40.4	19.4	-21.0
1993	-12.0	-12.0	.0	-5.3	-5.3	.0	37.5	37.5	.0
Value Share of Class (%)									
1992		7.1			21.0			.8	
1993		6.3			19.8			1.1	
Value Share of Mail Output (%)									
1992		.4			1.3			.0	
1993		.4			1.2			.1	

Table VII-3 (continued)

Pieces of Mail, Apportioned Costs and Apportioned Cost per Piece
by Class of Mail
(millions)

Year	Second Class Publishers Regular			Second Class Transient			Second Class Total		
	Pieces	Apportioned Costs	AC/P	Pieces	Apportioned Costs	AC/P	Pieces	Apportioned Costs	AC/P
1969	5332.8	238.8	.045	34.8	4.1	.118	9206.3	349.8	.038
1970	5386.2	209.0	.039	35.5	5.0	.141	9351.4	291.5	.031
1971	5518.9	247.3	.045	32.0	7.4	.231	9603.7	342.8	.036
1972	5379.5	244.6	.045	27.7	7.2	.260	9494.0	345.2	.036
1973	5121.7	257.8	.050	33.5	5.5	.164	9033.9	362.3	.040
1974	5055.1	248.3	.049	28.9	4.3	.149	8837.7	366.8	.042
1975	5068.6	299.8	.059	28.6	4.1	.143	9085.3	455.6	.050
1976	6277.3	537.6	.086	36.9	17.0	.461	10990.6	801.0	.073
1977	4910.8	493.7	.101	29.5	9.7	.329	8672.5	759.4	.088
1978	4923.7	511.5	.104	24.6	10.7	.435	8691.4	782.5	.090
1979	4894.4	561.6	.115	19.5	11.0	.564	8399.7	834.7	.099
1980	4036.0	388.2	.096	23.5	17.3	.736	8445.6	633.7	.075
1981	5702.7	503.1	.088	19.1	24.0	1.257	9956.0	765.9	.077
1982	5837.6	548.5	.094	14.0	21.7	1.550	9526.6	797.9	.084
1983	5958.1	572.2	.096	15.0	20.4	1.360	9219.7	804.5	.087
1984	6077.7	598.7	.099	12.6	20.4	1.619	9522.4	846.3	.089
1985	6354.2	697.3	.110	5.4	8.5	1.559	10379.5	985.7	.095
1986	6562.9	721.7	.110				10587.9	1001.0	.095
1987	6549.8	808.3	.123				10324.3	1112.7	.108
1988	6589.7	968.6	.147				10448.4	1319.6	.126
1989	6507.9	1024.5	.157				10507.8	1411.7	.134
1989	6525.3	1026.9	.157				10525.3	1414.1	.134
1990	6831.4	1104.1	.162				10680.5	1522.1	.143
1991	6995.9	1185.9	.170				10399.2	1590.7	.153
1992	6640.1	1198.0	.180				10318.6	1686.5	.163
1993	6858.1	1237.4	.180				10306.1	1699.9	.165
Growth Rate (%)									
1992	-5.2	1.0	6.2				-.8	5.8	6.6
1993	3.2	3.2	.0				-.1	.8	.9
Value Share of Class (%)									
1992		71.0							
1993		72.8							
Value Share of Mail Output (%)									
1992		4.2						6.0	
1993		4.3						5.9	

Table VII-3 (continued)

Pieces of Mail, Apportioned Costs and Apportioned Cost per Piece
by Class of Mail
(millions)

Year	Controlled Circulation			Third Class Single Piece			Third Class Bulk Regular Basic and SDigit		
	Pieces	Costs	AC/P	Pieces	Costs	AC/P	Pieces	Costs	AC/P
1969	579.2	15.0	.026	1024.8	98.1	.096	14920.2	299.4	.020
1970	562.4	14.0	.025	952.1	97.2	.102	15050.7	354.3	.024
1971	522.4	14.8	.028	907.3	100.2	.110	15249.0	401.3	.026
1972	549.7	18.3	.033	895.7	147.9	.165	16504.1	491.6	.030
1973	581.6	20.5	.035	798.0	135.3	.170	16710.1	505.3	.030
1974	620.4	24.4	.039	742.6	152.3	.205	16436.1	523.8	.032
1975	628.0	31.3	.050	745.3	201.8	.271	15683.6	667.1	.043
1976	769.5	54.2	.070	834.5	257.4	.308	19880.9	1208.4	.061
1977	690.3	52.0	.075	624.6	270.2	.433	16852.3	1250.0	.074
1978	761.0	54.9	.072	566.1	311.9	.551	18575.2	1322.6	.071
1979	845.8	71.6	.085	468.4	318.4	.680	16809.8	1330.9	.079
1980	1774.6	115.8	.065	420.3	277.4	.660	14978.3	1226.4	.082
1981				335.2	244.9	.731	14164.0	1324.3	.093
1982				203.4	126.7	.623	13709.8	1481.0	.108
1983				168.0	112.5	.670	14487.6	1541.8	.106
1984				178.3	115.7	.649	16307.0	1830.4	.112
1985				168.4	107.6	.639	17618.5	2070.8	.118
1986				155.2	99.2	.639	19832.6	2299.5	.116
1987				158.5	103.6	.654	21809.6	2652.2	.122
1988				168.7	130.4	.773	22282.3	3178.0	.143
1989				170.1	167.4	.984	21754.3	3309.7	.152
1989				193.8	177.7	.917	22056.4	3345.6	.152
1990				188.3	184.6	.980	23922.9	3454.5	.144
1991				207.8	223.0	1.073	22966.4	3554.9	.155
1992				193.8	227.3	1.173	24216.1	3700.3	.153
1993				186.0	218.2	1.173	25825.5	3946.3	.153
Growth Rate (%)									
1992				-7.0	1.9	8.9	5.3	4.0	-1.3
1993				-4.1	-4.1	.0	6.4	6.4	.0
Value Share of Class (%)									
1992					3.3			53.9	
1993					3.0			54.7	
Value Share of Mail Output (%)									
1992					.8			13.1	
1993					.8			13.6	

Table VII-3 (continued)

Pieces of Mail, Apportioned Costs and Apportioned Cost per Piece
by Class of Mail
(millions)

Year	Third Class Bulk Regular Carrier Presort			Third Class Bulk Non-Profit Basic and 501git			Third Class Bulk Non-Profit Carrier Presort		
	Pieces	Apportioned Costs	AC/P	Pieces	Apportioned Costs	AC/P	Pieces	Apportioned Costs	AC/P
1969				3676.6	62.6	.017			
1970				3971.4	79.5	.020			
1971				4375.9	82.5	.019			
1972				4507.8	115.8	.026			
1973				5181.0	119.0	.023			
1974				5358.3	118.4	.022			
1975				5438.3	180.8	.033			
1976				7275.1	383.7	.053			
1977				6431.7	383.2	.060			
1978				6967.1	408.3	.059			
1979	2932.2	69.1	.024	7116.6	430.7	.061			
1980	7018.4	112.2	.016	7769.5	380.0	.049			
1981	10541.6	211.5	.020	7963.5	446.4	.056	603.1	13.3	.022
1982	13742.6	333.9	.024	7937.0	531.2	.067	1126.6	25.9	.023
1983	16698.1	570.0	.034	8049.5	524.0	.065	1331.6	46.6	.035
1984	21392.0	771.8	.036	8744.0	566.4	.065	1627.6	57.0	.035
1985	23407.2	846.5	.036	9038.0	639.1	.071	1938.2	57.9	.030
1986	24173.6	942.3	.039	8746.7	618.5	.071	2140.8	59.7	.028
1987	26743.6	1149.2	.043	8656.3	655.2	.076	2365.2	80.3	.034
1988	28269.5	1454.3	.051	9003.9	781.6	.087	2245.6	92.6	.041
1989	27995.0	1439.1	.051	9237.3	846.2	.092	2620.1	115.1	.044
1989	28796.1	1464.8	.051	9237.3	845.1	.091	2620.1	115.0	.044
1990	27585.7	1604.4	.058	9361.0	874.7	.093	2667.3	124.7	.047
1991	27300.3	1668.2	.061	9195.8	909.9	.099	2759.7	140.1	.051
1992	26138.0	1815.1	.069	9058.3	974.5	.108	2941.0	146.3	.050
1993	27803.9	1930.8	.069	9063.6	975.0	.108	2894.1	144.0	.050
Growth Rate (%)									
1992	-4.4	8.4	12.8	-1.5	6.9	8.4	6.4	4.3	-2.1
1993	6.2	6.2	.0	.1	.1	.0	-1.6	-1.6	.0
Value Share of Class (%)									
1992		26.4			14.2			2.1	
1993		26.8			13.5			2.0	
Value Share of Mail Output (%)									
1992		6.4			3.5			.5	
1993		6.7			3.4			.5	

Table VII-3 (continued)

Pieces of Mail, Apportioned Costs and Apportioned Cost per Piece
by Class of Mail
(millions)

Year	Third Class Bulk Non-profit Books			Third Class Total			Fourth Class Zone Parcels		
	Pieces	Apportioned Costs	AC/P	Pieces	Apportioned Costs	AC/P	Pieces	Apportioned Costs	AC/P
1969				19621.6	460.1	.023	643.6	422.7	.657
1970				19974.2	531.0	.027	569.7	436.4	.766
1971				20532.2	584.0	.028	536.0	410.2	.765
1972				21907.6	755.3	.034	498.3	394.8	.792
1973				22689.1	759.6	.033	475.4	386.0	.812
1974				22537.0	794.5	.035	431.2	363.9	.844
1975				21867.2	1049.7	.048	399.6	537.6	1.345
1976				27990.5	1849.5	.066	415.0	657.2	1.584
1977	141.0	10.0	.071	24049.6	1913.4	.080	345.1	620.4	1.798
1978	221.5	8.0	.036	26329.9	2050.8	.078	250.2	432.7	1.729
1979	186.1	7.3	.039	27513.1	2156.4	.078	203.6	381.1	1.872
1980	194.4	13.6	.070	30380.9	2009.6	.066	208.5	273.9	1.314
1981				33607.4	2240.4	.067	186.2	275.2	1.478
1982				36719.4	2498.7	.068	168.0	265.0	1.577
1983				40734.8	2794.9	.069	162.7	337.4	2.074
1984				48248.9	3341.3	.069	162.1	362.6	2.237
1985				52170.3	3722.1	.071	151.5	388.9	2.567
1986				55048.9	4019.2	.073	142.5	329.5	2.312
1987				59733.2	4640.6	.078	143.0	358.5	2.508
1988				61970.1	5636.9	.091	131.8	375.8	2.851
1989				61776.9	5877.5	.095	110.4	383.9	3.477
1989				62903.6	5948.1	.095	122.4	418.7	3.421
1990				63725.1	6243.0	.098	128.1	457.8	3.573
1991				62429.9	6496.1	.104	138.5	529.5	3.823
1992				62547.2	6863.5	.110	165.4	540.2	3.266
1993				65773.2	7214.3	.110	186.8	610.2	3.266
Growth Rate (%)									
1992				.2	5.5	5.3	17.8	2.0	-15.8
1993				5.0	5.0	.0	12.2	12.2	.0
Value Share of Class (%)									
1992								51.4	
1993								55.8	
Value Share of Mail Output (%)									
1992					24.3			1.9	
1993					24.9			2.1	

Table VII-3 (continued)

Pieces of Mail, Apportioned Costs and Apportioned Cost per Piece
by Class of Mail
(millions)

Year	USPS Penalty			Other Agency Penalty**			Franked**			Government Subtotal (incl USPS Penalty)		
	Pieces	Costs	AC/P	Pieces	Costs	AC/P	Pieces	Costs	AC/P	Pieces	Costs	AC/P
1969				2284.3	62.5	.027	191.3	3.9	.021	2475.6	66.4	.027
1970				2543.7	69.5	.027	202.8	4.8	.024	2746.5	74.3	.027
1971	204.6	28.8	.101	2221.4	110.6	.050	239.8	4.5	.019	2745.7	143.9	.052
1972	295.5	18.6	.063	2268.1	114.6	.051	293.2	5.3	.018	2856.7	138.5	.048
1973	337.3	19.7	.058	2418.7	94.6	.039	293.2	3.6	.012	3049.1	117.9	.039
1974	326.0	18.8	.058	2517.7	116.6	.046	315.2	6.3	.020	3158.9	141.7	.045
1975	307.3	29.8	.097	2620.4	147.7	.056	317.4	11.5	.036	3245.0	189.0	.058
1976	372.2	50.5	.136	3217.8	289.8	.090	556.7	32.9	.059	4146.8	373.2	.090
1977	323.5	41.9	.130	2638.6	244.5	.093	307.0	25.2	.082	3269.1	311.6	.095
1978	311.7	54.2	.174	2512.2	255.3	.102	447.9	35.8	.080	3271.8	345.3	.106
1979	336.5	49.6	.148	2558.9	321.4	.126	374.1	22.2	.059	3269.4	393.2	.120
1980	308.8	39.7	.129	2683.3	286.6	.107	511.9	22.8	.045	3504.0	349.1	.100
1981	382.4	56.4	.148	2515.7	308.3	.123	400.6	14.1	.035	3298.7	375.8	.115
1982	337.3	50.0	.148	2609.1	295.4	.113	772.7	29.2	.038	3719.1	374.6	.101
1983	380.5	61.1	.161	2394.8	315.6	.132	549.2	21.5	.039	3324.6	398.2	.120
1984	377.6	74.5	.197	2145.5	363.5	.169	924.0	34.6	.037	3447.1	472.6	.137
1985	391.7	77.0	.197	2216.4	380.0	.171	682.9	25.7	.038	3291.0	482.7	.147
1986	401.3	79.9	.199	2568.4	388.6	.151	751.8	25.1	.033	3721.4	495.6	.133
1987	431.3	95.4	.221	2213.4	420.7	.190	507.0	22.4	.044	3657.6	538.4	.147
1988	530.4	109.9	.207	2550.7	471.9	.185	798.4	35.5	.044	4512.9	617.3	.137
1989	527.8	160.1	.303	2637.1	442.2	.168	597.0	39.0	.065	4163.8	641.3	.154
1989	527.8	160.1	.303									
1990	538.4	162.4	.302									
1991	612.5	182.2	.297									
1992	551.4	202.3	.367									
1993	543.7	199.4	.367									

Growth Rate (%)

1992	-10.5	10.5	21.0
1993	-1.4	-1.4	.0

Value Share of Class* (%)

1992	21.8
1993	20.3

Value Share of Mail Output (%)

1992	.7
1993	.7

* Value share of Mailgrams, Free, International, and USPS Penalty.

** Penalty and Franked pieces for 1988 and 1989 are derived from different methods and are not comparable to previous or subsequent years. Unpublished estimates comparable to 1990 and later are 3242.0 and 2995.3 million pieces for 1988 and 1989 respectively for Penalty and 740.4 and 640.7 million pieces for Franked and are used in the indexing procedures. AC/P, value shares and growth rates must be adjusted accordingly.

Table VII-3 (continued)

Pieces of Mail, Apportioned Costs and Apportioned Cost per Piece
by Class of Mail
(millions)

Year	International Surface Letters and Cards			International Surface Other			International Surface Parcels			International Second Class Publishers**		
	Pieces	Costs	AC/P	Pieces	Costs	AC/P	Pieces	Costs	AC/P	Pieces	Costs	AC/P
1971	178.5	11.4	.064	179.6	25.7	.143	7.1	34.7	4.860			
1972	166.8	11.8	.071	188.3	26.1	.138	6.0	30.3	5.049			
1973	171.3	21.4	.125	176.7	25.6	.145	6.5	32.6	5.049			
1974	159.1	22.7	.143	180.7	32.3	.179	7.0	37.5	5.337			
1975	164.5	20.6	.124	174.6	60.8	.348	6.5	42.7	6.528			
1976	202.0	52.2	.258	227.7	77.5	.340	7.8	45.1	5.811			
1977	205.3	49.8	.243	46.6	78.9	1.693	5.4	57.9	10.708	129.6	.0	.000
1978	245.4	45.4	.185	54.6	71.1	1.303	4.7	48.0	10.261	121.6	.0	.000
1979	263.0	67.2	.256	50.4	76.9	1.525	4.0	58.3	14.604	129.8	5.6	.043
1980	274.4	76.6	.279	25.6	83.7	3.268	4.5	57.7	12.810	146.0	4.6	.031
1981	259.5	117.2	.420	16.6	156.6	9.455	5.0	73.8	14.890	131.7	6.4	.049
1982	260.1	109.5	.421	19.3	153.2	7.950	5.2	54.1	10.440	120.1	7.1	.059
1983	247.5	87.1	.352	15.5	145.9	9.429	4.5	69.6	15.509	117.6	8.9	.075
1984	219.9	65.9	.300	12.4	55.0	4.418	4.6	71.5	15.703	115.6	10.0	.087
1985	192.1	81.3	.423	10.1	87.1	8.614	3.8	67.8	17.949	121.5	14.1	.116
1986	186.8	88.1	.472	13.6	130.2	9.589	4.1	59.6	14.625	112.1	12.8	.114
1987	141.8	68.7	.484	13.8	84.0	6.087	4.8	71.8	14.982	106.5	79.8	.749
1988	42.2	46.5	1.103	18.2	84.5	4.644	3.4	81.3	23.603	110.4	93.4	.847
1989	32.8	52.9	1.614	15.2	77.5	5.084	3.3	68.6	20.965	113.3	75.1	.663
1989	33.5	53.2	1.588	15.8	78.1	4.941	3.3	74.7	22.745	113.3	68.6	.605
1990	38.6	65.3	1.693	15.6	80.3	5.152	3.6	69.4	19.009	108.1	62.2	.576
1991	27.2	34.0	1.250	15.2	40.0	2.624	3.9	62.8	16.090	100.1	98.5	.983
1992	9.1	18.6	2.055	19.3	32.7	1.694	2.9	58.0	19.971	101.7	99.4	.978
1993	12.0	24.6	2.055	19.5	33.0	1.694	2.3	46.8	19.971	90.6	88.6	.978
Growth Rate (%)												
1992	-110.1	-60.4	49.7	23.6	-20.1	-43.7	-29.6	-8.0	21.6	1.5	1.0	-.6
1993	28.1	28.1	.0	1.0	1.0	.0	-21.4	-21.4	.0	-11.5	-11.5	.0
Value Share of Class* (%)												
1992		2.0			3.5			6.2			10.7	
1993		2.5			3.4			4.8			9.0	
Value Share of Mail Output (%)												
1992		.1			.1			.2			.4	
1993		.1			.1			.2			.3	

* Value share of Mails, Free, International, and USPS Penalty.

** Second Class Publishers apportioned costs cannot be separated from surface other costs in 1977 and 1978.

Table VII-3 (continued)

Pieces of Mail, Apportioned Costs and Apportioned Cost per Piece
by Class of Mail
(millions)

Year	Fourth Class Bound Printed Matter			Fourth Class Special			Fourth Class Library		
	Pieces	Apportioned Costs	AC/P	Pieces	Apportioned Costs	AC/P	Pieces	Apportioned Costs	AC/P
1969	104.4	12.8	.123	256.4	99.4	.388	26.4	6.6	.250
1970	107.6	12.8	.119	274.6	97.6	.355	25.3	6.8	.269
1971	114.0	12.2	.107	288.0	116.4	.404	29.6	7.0	.236
1972	106.3	11.6	.109	281.6	109.4	.388	28.2	19.4	.688
1973	86.1	15.3	.178	300.7	116.0	.386	30.8	9.5	.308
1974	88.3	15.6	.177	305.1	120.3	.394	34.5	12.3	.357
1975	81.6	20.0	.245	278.6	186.6	.670	41.5	19.9	.480
1976	108.1	44.4	.411	373.8	323.3	.865	45.7	26.2	.574
1977	85.1	30.6	.360	271.6	318.7	1.173	60.2	59.1	.982
1978	86.4	27.1	.314	282.8	293.6	1.038	71.6	65.6	.916
1979	101.8	44.7	.439	246.9	233.4	.945	61.8	60.8	.984
1980	116.4	29.9	.257	249.1	174.7	.701	59.4	46.3	.779
1981	118.7	40.4	.340	225.3	201.2	.893	59.7	47.9	.802
1982	165.2	47.6	.288	207.6	177.0	.853	55.9	45.2	.809
1983	168.1	63.5	.378	181.4	160.6	.885	55.3	52.5	.949
1984	194.0	70.9	.364	187.7	181.3	.966	54.5	50.6	.928
1985	212.8	87.4	.411	165.7	190.3	1.148	45.6	49.2	1.077
1986	269.2	90.9	.365	167.2	218.3	1.305	43.0	50.2	1.167
1987	255.5	110.9	.434	164.9	251.3	1.524	51.8	55.8	1.078
1988	308.9	150.4	.487	160.2	269.3	1.681	48.4	57.5	1.188
1989	312.3	143.4	.459	144.0	212.8	1.478	39.2	51.7	1.319
1989	312.3	145.6	.466	154.6	223.3	1.444	39.2	52.1	1.329
1990	344.8	169.8	.492	149.4	216.4	1.448	40.6	50.3	1.241
1991	363.5	195.1	.537	153.1	215.0	1.404	40.2	53.3	1.326
1992	391.8	219.6	.561	165.2	230.3	1.394	42.1	59.9	1.423
1993	333.6	198.2	.561	164.8	229.7	1.394	38.7	55.0	1.423
Growth Rate (%)									
1992	7.5	11.8	4.3	7.6	6.9	-.7	4.5	11.6	7.0
1993	-10.3	-10.3	.0	-.2	-.2	.0	-8.3	-8.5	.0
Value Share of Class (%)									
1992		20.9			21.9			5.7	
1993		18.1			21.0			5.0	
Value Share of Mail Output (%)									
1992		.8			.8			.2	
1993		.7			.8			.2	

Table VII-3 (continued)

Pieces of Mail, Apportioned Costs and Apportioned Cost per Piece
by Class of Mail
(millions)

Year	Fourth Class Total			Mailgrams			Free		
	Pieces	Apportioned Costs	AC/P	Pieces	Apportioned Costs	AC/P	Pieces	Apportioned Costs	AC/P
1969	1030.8	541.5	.525				17.6	2.1	.119
1970	977.2	553.6	.567				15.4	2.2	.143
1971	967.6	545.8	.564				18.3	2.8	.151
1972	914.4	535.2	.585				17.2	8.6	.500
1973	893.0	526.8	.590				16.5	2.2	.133
1974	859.1	512.1	.596				17.8	4.1	.230
1975	801.3	764.1	.954				18.9	4.3	.228
1976	942.6	1051.1	1.115				22.3	6.4	.286
1977	762.0	1028.8	1.350	28.2	4.4	.156	25.4	8.3	.327
1978	691.0	819.0	1.185	31.3	3.8	.121	21.9	8.0	.365
1979	614.1	720.0	1.172	37.6	3.3	.088	27.8	9.5	.342
1980	633.4	524.8	.829	39.1	9.6	.246	27.8	7.2	.259
1981	589.9	564.7	.957	42.1	11.9	.283	47.5	7.5	.158
1982	596.7	534.8	.896	42.1	12.5	.297	30.6	9.6	.314
1983	567.5	614.0	1.082	36.6	13.8	.377	38.4	8.4	.219
1984	599.1	665.4	1.111	34.3	12.6	.367	32.2	8.8	.275
1985	575.7	715.8	1.243	31.3	14.6	.467	27.5	11.5	.418
1986	602.0	689.0	1.144	25.5	16.4	.640	35.5	10.8	.303
1987	615.2	776.6	1.262	21.9	15.7	.717	41.2	11.9	.289
1988	649.3	853.1	1.314	19.6	17.0	.868	38.5	14.7	.381
1989	605.8	791.8	1.307	16.9	17.1	1.015	26.7	16.2	.607
1989	628.4	839.7	1.336	16.9	17.5	1.039	26.7	16.4	.613
1990	663.0	894.3	1.349	14.0	17.4	1.242	35.4	22.1	.625
1991	695.4	992.9	1.428	11.9	15.6	1.309	35.9	31.3	.874
1992	764.5	1050.0	1.373	7.5	10.8	1.455	46.4	25.7	.553
1993	743.8	1093.1	1.470	7.2	10.4	1.455	52.8	29.2	.553
Growth Rate (%)									
1992	9.5	5.6	-3.9	-47.1	-36.6	10.6	25.9	-19.9	-45.8
1993	-2.7	4.0	6.8	-3.7	-3.7	.0	12.8	12.8	.0
Value Share of Class* (%)									
1992					1.2			2.8	
1993					1.1			3.0	
Value Share of Mail Output (%)									
1992		3.7			.0			.1	
1993		3.8			.0			.1	

* Value share of Mailgrams, Free, International, and USPS Penalty.

Table VII-3 (continued)

Places of Mail, Apportioned Costs and Apportioned Cost per Piece
by Class of Mail
(millions)

Year	International Air Letters and Cards			International Air Other (Incl Express)			International Air Parcels			International Subtotal		
	Pieces	Costs	AC/P	Pieces	Costs	AC/P	Pieces	Costs	AC/P	Pieces	Costs	AC/P
1969										826.6	130.7	.158
1970										896.4	136.5	.152
1971	525.0	64.6	.123	10.5	14.5	1.384	1.9	14.0	7.233	902.7	164.8	.183
1972	540.1	68.6	.127	12.0	15.4	1.277	2.2	16.3	7.404	916.0	168.4	.184
1973	551.4	66.2	.120	12.0	21.4	1.791	2.0	19.8	9.802	919.8	187.2	.204
1974	552.2	66.3	.120	14.4	18.1	1.253	2.3	18.6	8.242	915.6	195.5	.214
1975	570.3	95.8	.168	13.6	20.8	1.530	2.5	21.3	8.673	931.9	270.5	.290
1976	690.5	159.9	.232	17.6	29.5	1.675	3.2	23.4	7.361	1148.8	387.6	.337
1977	680.1	125.7	.262	16.4	37.6	2.295	1.7	23.3	13.722	885.1	373.2	.422
1978	467.1	115.7	.248	17.4	40.3	2.312	2.0	24.6	12.257	912.8	345.3	.378
1979	467.0	142.6	.293	17.9	50.3	2.808	2.3	30.6	13.310	954.4	431.7	.452
1980	491.5	129.3	.263	19.3	64.2	3.327	2.5	33.9	13.803	963.8	449.9	.467
1981	447.0	150.9	.338	23.3	85.7	3.677	2.5	43.0	17.238	885.5	627.5	.709
1982	497.8	182.5	.367	21.7	82.4	3.794	3.4	56.6	16.806	927.5	645.5	.696
1983	490.4	191.2	.390	25.4	76.2	3.002	3.9	65.8	17.070	904.8	644.8	.713
1984	509.6	199.6	.392	28.4	83.4	2.939	4.4	62.9	14.253	894.8	548.5	.613
1985	470.5	209.9	.446	27.3	76.1	2.788	4.1	70.1	16.924	829.4	606.2	.731
1986	450.0	229.9	.511	27.2	103.9	3.813	3.3	69.6	21.025	796.3	694.0	.871
1987	479.8	230.3	.480	27.6	113.5	4.106	3.4	60.4	17.635	777.8	708.4	.911
1988	512.2	273.5	.534	29.8	116.0	3.899	4.0	62.0	15.619	720.0	757.2	1.052
1989	517.1	303.9	.588	32.3	142.4	4.407	3.7	61.3	16.350	717.7	781.7	1.089
1989	522.1	307.3	.589	32.8	142.9	4.361	3.8	61.5	16.303	724.6	786.4	1.085
1990	590.5	347.4	.588	37.8	164.7	4.362	4.1	65.1	16.011	798.3	854.5	1.070
1991	609.0	281.6	.463	33.4	139.1	4.163	4.0	66.8	16.862	792.8	722.8	.912
1992	614.1	291.9	.475	38.2	126.6	3.309	4.0	63.7	15.952	789.3	690.8	.875
1993	702.8	334.1	.475	45.9	151.9	3.309	4.1	64.8	15.952	907.0	743.9	.820
Growth Rate (%)												
1992	.8	3.6	2.8	13.5	-9.5	-23.0	.8	-4.7	-5.5	-.4	-4.5	-4.1
1993	13.5	13.5	.0	18.3	18.3	.0	1.8	1.8	.0	13.9	7.4	-6.5
Value Share of Class* (%)												
1992		31.4			13.6			6.9			74.3	
1993		34.0			15.5			6.6			75.7	
Value Share of Mail Output (%)												
1992		1.0			.4			.2			2.4	
1993		1.2			.5			.2			2.6	

* Value share of Mailgrams, Free, International, and USPS Penalty.

Table VII-4

Quantity and Unit Cost Indexes and Cost Share of Mail by Class*
(millions of 1963 pieces, dollars per piece, percent)

Year	First Class			Priority			Express			Second Class		
	Quantity	Unit Cost	Cost Share	Quantity	Unit Cost	Cost Share	Quantity	Unit Cost	Cost Share	Quantity	Unit Cost	Cost Share
1963	37376.8	.050	43.9							8423.1	.056	11.1
1964	38331.2	.052	44.7							8832.4	.057	11.3
1965	39707.5	.054	45.1							8919.1	.059	10.9
1966	42402.6	.057	46.2							9050.2	.061	10.7
1967	44485.7	.060	47.4							9224.5	.064	10.4
1968	45329.6	.064	47.9	115.9	.000	.0				9524.0	.065	10.2
1969	47820.6	.039	52.9	178.6	.497	2.5				9925.2	.037	10.4
1970	49637.7	.044	56.1	184.7	.508	2.4				10040.5	.030	7.9
1971	50718.2	.046	54.9	197.0	.523	2.4				10241.1	.035	8.5
1972	49512.8	.049	53.9	207.6	.503	2.3				10088.2	.036	8.1
1973	51374.3	.051	55.0	209.0	.721	3.2				9695.9	.039	8.1
1974	51985.6	.058	58.0	222.2	.691	2.9				9563.1	.041	7.5
1975	51257.6	.072	55.6	206.5	.798	2.5				9799.5	.050	7.4
1976	61353.6	.119	60.7	234.2	.964	1.9				11919.7	.072	7.1
1977	49134.0	.134	58.2	202.4	1.160	2.1	5.3	3.698	.2	9477.9	.086	7.2
1978	50875.1	.139	60.4	212.8	.985	1.8	8.0	3.437	.2	9551.0	.088	7.1
1979	51784.6	.146	60.4	228.9	1.242	2.3	12.2	4.066	.4	9562.1	.097	7.2
1980	53051.9	.129	60.4	248.2	1.252	2.7	17.5	3.977	.6	9848.8	.076	6.6
1981	53219.6	.138	59.4	269.3	1.277	2.8	23.8	3.466	.7	10169.0	.075	6.2
1982	52980.8	.148	59.7	258.7	1.276	2.5	28.4	3.736	.8	9792.9	.081	6.1
1983	53839.7	.157	59.5	271.4	1.305	2.5	36.8	3.380	.9	9601.2	.084	5.7
1984	56982.1	.164	59.2	293.4	1.282	2.4	43.9	4.023	1.1	9830.1	.086	5.4
1985	59823.5	.172	58.9	307.8	1.423	2.5	45.2	4.789	1.2	10399.0	.095	5.6
1986	61936.2	.171	58.2	329.9	1.511	2.7	40.1	5.251	1.2	10585.6	.095	5.5
1987	64003.1	.178	57.1	354.3	1.429	2.5	41.5	6.095	1.3	10436.3	.107	5.6
1988	65808.6	.195	55.8	404.7	1.623	2.8	44.1	7.023	1.3	10556.8	.125	5.7
1989	66538.9	.209	56.6	440.3	1.693	3.0	51.9	7.510	1.6	10579.6	.133	5.7
1989	86123.6	.165	57.7	474.6	1.712	3.3	53.5	7.507	1.6	10523.4	.134	5.7
1990	88537.7	.167	57.2	517.9	1.710	3.4	58.6	7.841	1.8	10757.9	.141	5.9
1991	88752.6	.178	57.7	530.4	1.909	3.7	58.0	8.692	1.8	10619.9	.150	5.8
1992	88369.2	.183	57.3	586.4	1.790	3.7	53.2	9.047	1.7	10474.5	.161	6.0
1993	89392.7	.183	56.4	664.4	1.790	4.1	52.4	9.047	1.6	10558.2	.161	5.9
Growth Rate (%)												
1992		3.1		9.7	-6.4		-8.6	4.0		-1.4	7.2	
1993		.0		12.8	.0		-1.5	.0		.8	.0	

* First Class includes airmail. Second Class includes controlled circulation.

Table VII-4 continued

Quantity and Unit Cost Indexes and Cost Share of Mail by Class*
(millions of 1963 pieces, dollars per piece, percent)

Year	Third Class			Fourth Class			Other			Total	
	Quantity	Unit Cost	Cost Share	Quantity	Unit Cost	Cost Share	Quantity	Unit Cost	Cost Share	Quantity	Unit Cost
1963	18407.1	.047	20.6	1075.8	.749	19.0	2567.9	.090	5.4	67852.7	.063
1964	18598.5	.048	20.2	1064.9	.766	18.3	2713.1	.092	5.6	69201.3	.064
1965	19453.8	.051	20.8	1040.7	.812	17.6	2776.5	.095	5.5	70832.8	.068
1966	20305.2	.051	20.1	1060.4	.845	17.3	2862.6	.105	5.8	74116.0	.070
1967	20985.0	.053	19.8	1056.5	.883	16.5	3048.8	.108	5.9	76684.1	.074
1968	20664.5	.055	19.0	1014.9	.926	15.6	3447.9	.102	5.8	78535.1	.077
1969	19621.6	.023	13.1	999.7	.542	15.4	3594.7	.055	5.7	81040.4	.043
1970	19664.4	.027	13.7	919.9	.602	14.3	3920.8	.054	5.5	82265.4	.047
1971	19950.3	.029	13.8	888.8	.614	12.9	4105.6	.076	7.4	83544.1	.051
1972	21076.7	.036	16.8	835.6	.640	11.9	4166.4	.076	7.0	82607.1	.054
1973	21249.0	.036	16.1	816.1	.645	11.1	4300.4	.071	6.5	84093.6	.056
1974	20846.8	.038	15.2	765.5	.669	9.8	4462.6	.076	6.5	84111.6	.062
1975	20286.1	.052	15.9	711.5	1.074	11.6	4504.3	.103	7.0	82476.7	.080
1976	25450.6	.073	15.3	800.9	1.312	8.7	5623.1	.136	6.4	99108.8	.122
1977	21499.5	.089	17.0	649.5	1.584	9.1	4408.3	.158	6.2	80257.4	.140
1978	22984.4	.089	17.5	555.7	1.474	7.0	4412.8	.159	6.0	82044.2	.143
1979	21718.4	.099	17.2	473.6	1.520	5.8	4496.4	.186	6.7	81493.2	.153
1980	21063.0	.095	17.8	483.2	1.086	4.6	4671.3	.175	7.2	83165.1	.136
1981	20497.1	.109	18.1	441.6	1.279	4.6	4550.3	.225	8.3	82924.2	.149
1982	19998.5	.125	19.0	416.8	1.283	4.1	4706.3	.221	7.9	82175.8	.160
1983	21252.9	.132	19.7	394.2	1.558	4.3	4568.2	.233	7.5	83744.5	.170
1984	24429.3	.137	21.2	402.7	1.652	4.2	4513.0	.231	6.6	89560.9	.176
1985	26200.8	.142	21.3	374.4	1.912	4.1	4361.9	.257	6.4	93459.1	.187
1986	28050.8	.143	22.0	369.7	1.864	3.8	4464.1	.272	6.7	97054.9	.188
1987	30364.5	.153	23.3	374.8	2.072	3.9	4245.4	.300	6.4	100579.1	.198
1988	31360.1	.180	24.5	367.3	2.323	3.7	4441.7	.317	6.1	103689.9	.222
1989	31067.9	.189	23.9	324.0	2.444	3.2	4234.7	.344	5.9	103871.2	.237
1989	62903.6	.095	24.2	628.4	1.336	3.4	1296.0	.756	4.0	103871.2	.237
1990	65202.4	.096	24.2	650.6	1.375	3.5	1407.3	.751	4.1	107554.8	.240
1991	63670.7	.102	23.8	688.0	1.443	3.6	1392.2	.684	3.5	107251.8	.255
1992	64589.9	.106	24.3	781.4	1.344	3.7	1341.7	.693	3.3	107857.1	.262
1993	67890.7	.106	24.9	813.4	1.344	3.8	1418.5	.693	3.4	110851.6	.262
Growth Rate (%)											
1992	1.4			12.7	-7.1		-3.7	1.3		.6	2.8
1993	5.0	.0		4.0	.0		5.6	.0		2.7	.0

* Other Classes include Mailgrams, Free, International, Penalty, and Franked for 1989 and prior format. Franked and agency penalty are not included in new format.
See footnotes on Table VII-3 pertaining to agency penalty and franked mail.
International component is based on subclass detail not presented in this report.

Table VII-5

Quantity Indexes and Pieces of Mail by Class*
(quantity based to millions of pieces in 1963)

Year	First Class		Second Class		Third Class	
	Index	Pieces	Index	Pieces	Index	Pieces
1963	37378.8	37378.8	8423.1	8423.1	18407.1	18407.1
1964	38331.2	38447.8	8832.4	8809.7	18598.5	18598.5
1965	39707.5	39697.0	8919.1	8881.7	19453.8	19453.8
1966	42402.6	42250.0	9050.2	8980.6	20305.2	20305.2
1967	44485.7	44098.9	9224.5	9124.4	20985.0	20985.0
1968	45329.6	45131.7	9524.0	9392.8	20664.5	20664.5
1969	47820.6	48068.2	9925.2	9785.5	19621.6	19621.6
1970	49637.7	50173.5	10040.5	9913.8	19664.4	19974.2
1971	50718.2	51493.2	10241.1	10126.1	19950.3	20532.2
1972	49512.8	50292.9	10088.2	10043.7	21076.7	21907.6
1973	51374.3	52291.2	9695.9	9615.5	21249.0	22689.1
1974	51985.6	52929.2	9563.1	9458.1	20846.8	22537.0
1975	51257.6	52481.9	9799.5	9713.3	20286.1	21867.2
1976	61353.6	65012.7	11919.7	11760.1	25450.6	27990.5
1977	49134.0	53667.5	9477.9	9362.8	21499.5	24049.6
1978	50875.1	55981.3	9551.0	9452.4	22984.4	26329.9
1979	51784.6	57925.9	9562.1	9245.5	21718.4	27513.1
1980	53051.9	60276.1	9848.8	10220.2	21063.0	30380.9
1981	53219.6	61410.2	10169.0	9956.0	20497.1	33607.4
1982	52980.8	62200.2	9792.9	9526.6	19998.5	36719.4
1983	53839.7	64246.9	9601.2	9219.7	21252.9	40734.8
1984	56982.1	68428.6	9838.1	9522.4	24429.3	48248.9
1985	59823.5	72440.3	10399.0	10379.5	26200.8	52170.3
1986	61936.2	75888.8	10585.6	10587.9	28050.8	55048.9
1987	64003.1	78869.3	10436.3	10324.3	30364.5	59733.2
1988	65808.6	82316.6	10556.8	10448.4	31360.1	61970.1
1989	66538.9	83697.2	10579.6	10507.8	31067.9	61776.9
1989	86123.6	86123.6	10523.4	10525.3	62903.6	62903.6
1990	88537.7	89269.6	10757.9	10680.5	65202.4	63725.1
1991	88752.6	90284.6	10619.9	10399.2	63670.7	62429.9
1992	88369.2	90781.0	10474.5	10318.6	64589.9	62547.2
1993	89392.7	92169.4	10558.2	10306.1	67890.7	65773.2
Growth Rate (%)						
1992	-1.4	.5	-1.4	-.8	1.4	.2
1993	1.2	1.5	.8	-.1	5.0	5.0

* First Class includes airmail. Second Class includes controlled circulation.

Table VII-5 continued

Quantity Indexes and Pieces of Mail by Class
(quantity based to millions of pieces in 1963)

Year	Fourth Class		Other*		Total	
	Index	Pieces	Index	Pieces	Index	Pieces
1963	1075.8	1075.8	2567.9	2567.9	67852.7	67852.7
1964	1064.9	1065.8	2713.1	2754.8	69201.3	69676.6
1965	1040.7	1044.8	2776.5	2795.8	70832.8	71873.1
1966	1060.4	1066.1	2862.6	3005.6	74116.0	75607.5
1967	1056.5	1044.8	3048.8	3078.2	76684.1	78331.3
1968	1014.9	1039.3	3447.9	3172.6	78535.1	79516.8
1969	999.7	1030.8	3594.7	3319.8	81040.4	82004.5
1970	919.9	977.2	3920.8	3658.3	82265.4	84881.6
1971	888.8	967.6	4105.6	3666.9	83544.1	86983.1
1972	835.6	914.4	4166.4	3789.9	82607.1	87156.1
1973	816.1	893.0	4300.4	3985.4	84093.6	89683.3
1974	785.5	859.1	4462.6	4092.3	84111.6	90098.0
1975	711.5	801.3	4504.3	4195.8	82476.7	89266.0
1976	800.9	942.6	5623.1	5317.9	99108.8	111258.1
1977	649.5	762.0	4408.3	4207.8	80257.4	92257.4
1978	555.7	691.0	4412.8	4237.8	82044.2	96913.2
1979	473.6	614.1	4496.4	4289.2	81493.2	99829.0
1980	483.2	633.4	4671.3	4534.7	83165.1	106310.9
1981	441.6	589.9	4550.3	4273.8	82924.2	110130.4
1982	416.8	596.7	4706.3	4719.3	82175.8	114049.2
1983	394.2	567.5	4568.2	4304.4	83744.5	119381.4
1984	402.7	599.1	4513.0	4408.4	89560.9	131544.8
1985	374.4	575.7	4341.9	4179.2	93459.1	140097.9
1986	369.7	602.0	4464.1	4578.7	97054.9	147076.4
1987	374.8	615.2	4245.4	3992.7	100579.1	153930.6
1988	367.3	649.3	4441.7	4638.0	103689.9	160471.2
1989	324.0	605.8	4234.7	4506.4	103871.2	161586.3
1989	628.4	628.4	1296.0	1296.0	103871.2	162005.1
1990	650.6	663.0	1407.3	1386.1	107554.8	166300.8
1991	688.0	695.4	1392.2	1453.1	107251.8	165850.6
1992	781.4	764.5	1341.7	1394.5	107857.1	166443.4
1993	813.4	743.8	1418.5	1510.7	110851.6	171220.0
Growth Rate (%)						
1992	12.7	9.5	-3.7	-4.1	.6	-.4
1993	4.0	-2.7	5.6	8.0	2.7	2.8

* Other Classes include Mailgrams, Free, International, Penalty, and Franked for 1989 and prior format. Franked and agency penalty are not included in new format. See footnotes on Table VII-3 pertaining to agency penalty and franked mail. International component is based on subclass detail not presented in this report.

Table VII-6
Revenues from Miscellaneous Output
(millions of dollars)

Year	CRA Special Services	CRA Misc. Items	Unassigned Revenues	Transport of Military Mail*	Other Agency Reimbursements	Total Misc. Output Revenue
1963	243.0		11.0	49.9		303.9
1964	239.3		10.2	50.0		299.5
1965	232.3		8.9	44.7		285.9
1966	249.2		9.4	81.9		340.5
1967	282.7		9.8	116.0		408.5
1968	295.1		10.2	129.2		434.5
1969	283.8		11.8	108.4		404.0
1970	299.2		8.1	119.5		426.8
1971	311.7		11.1	120.7		443.5
1972	327.4	16.9		98.6		442.9
1973	321.7	27.5		88.5		437.7
1974	332.2	20.6		81.6		434.4
1975	353.1	38.3		92.2		483.6
1976	572.7	52.9		96.7		722.3
1977	579.8	48.4		65.4		693.6
1978	608.3	61.8		67.6		737.7
1979	708.5	58.6		80.7		847.8
1980	742.9	68.7		81.1		892.7
1981	774.4	90.5		108.5	4.8	988.3
1982	777.8	86.1		117.6	7.9	989.4
1983	817.5	92.9		112.4	2.9	1025.7
1984	820.6	97.1		105.6	4.5	1027.9
1985	877.5	94.0		110.8	2.6	1084.9
1986	934.4	100.1		125.6	3.0	1162.7
1987	973.0	111.9		122.8	2.7	1210.4
1988	1037.6	142.2		149.0	2.8	1331.6
1989	1064.1	156.9		137.5	5.6	1437.9
1990	1100.7	150.1		140.1	13.2	1500.2

* Until 1980, includes reimbursements for services from other government agencies.

Table VII-6a

Special Service Transactions, Apportioned Costs, and Apportioned Cost per Transaction

Year	Registry			Insurance			COB			Certified		
	Apportioned			Apportioned			Apportioned			Apportioned		
	Pieces	Costs	AC/P	Pieces	Costs	AC/P	Pieces	Costs	AC/P	Pieces	Costs	AC/P
1988	37.5	230.6	6.155	35.1	42.9	1.221	9.6	23.7	2.468	176.8	196.5	1.112
1989	33.5	110.3	3.289	34.9	40.5	1.161	10.0	22.7	2.259	176.5	209.5	1.187
1990	32.6	104.5	3.205	33.1	42.7	1.291	9.9	22.5	2.265	191.0	213.0	1.115
1991	28.6	104.6	3.650	35.6	49.0	1.373	8.7	21.5	2.471	209.0	209.4	1.002
1992	25.3	84.0	3.323	34.1	41.7	1.222	8.3	26.7	3.229	219.4	231.5	1.055
1993	23.9	79.3	3.323	30.8	37.6	1.222	6.8	22.0	3.229	237.1	250.1	1.055
Growth Rate (%)												
1992	-12.5	-21.9	-9.4	-4.4	-16.1	-11.7	-5.1	21.6	26.7	4.8	10.0	5.2
1993	-5.8	-5.8	.0	-10.3	-10.3	.0	-19.4	-19.4	.0	7.8	7.8	.0

Year	Special Delivery			Money Orders			Stamped Envelopes			Post Office Boxes		
	Apportioned			Apportioned			Apportioned			Apportioned		
	Pieces	Costs	AC/P	Pieces	Costs	AC/P	Costs			Costs		
1988	5.3	25.7	4.837	144.0	106.9	.742	11.7			308.4		
1989	2.2	10.2	4.609	150.4	152.1	1.011	9.6			367.9		
1990	1.2	5.4	4.630	155.1	154.9	.999	11.7			384.1		
1991	2.1	4.7	2.231	162.5	140.4	.865	14.3			406.7		
1992	.8	4.3	5.295	177.6	164.6	.927	12.9			440.0		
1993	.3	1.8	5.295	186.4	172.8	.927	12.9			462.9		
Growth Rate (%)												
1992	-94.0	-7.6	86.4	8.9	15.9	7.0	-10.3			7.9		
1993	-90.7	-90.7	.0	4.8	4.8	.0	.0			5.1		

Table VII-6b

Quantity and Unit Cost Indexes of Miscellaneous Output

Year	Special Services		Post Office Boxes		Military Reimbursements		Other Miscellaneous Output	
	Quantity	Unit Cost	Quantity	Unit Cost	Quantity	Unit Cost	Quantity	Unit Cost
1988	582.3	1.096	339.4	.909	67.6	1.901	79.2	2.549
1989	554.9	1.000	367.9	1.000	73.2	1.878	89.0	2.672
1990	568.3	.976	399.9	.961	66.0	2.124	86.7	2.793
1991	588.4	.924	358.0	1.136	87.3	2.278	90.9	2.944
1992	591.7	.956	369.7	1.190	79.7	2.291	80.9	3.077
1993	602.6	.956	388.9	1.190	77.6	2.272	81.3	3.189
Growth Rate (%)								
1992	.6	3.4	3.2	4.7	-9.2	.6	-11.6	4.4
1993	1.8	.0	5.1	.0	-2.6	-.8	.5	3.6
Value Share of Miscellaneous Output (%)								
1989		42.8		28.3		10.6		18.3
1990		42.0		29.1		10.6		18.3
1991		38.4		28.7		14.0		18.9
1992		39.4		30.6		12.7		17.3
1993		39.1		31.4		12.0		17.6

Table VII-7

Quantity of Mail Volume and Miscellaneous Output
Quantity and Unit Cost of Total Output

Year	Quantity of Mail Volume*	Quantity of Misc. Output	Quantity of Total Output	Unit Cost
1963	67852.7	5779.6	73632.3	.063
1964	69201.3	5222.0	74422.6	.064
1965	70832.8	4832.6	75664.3	.068
1966	74116.0	5688.4	79804.0	.070
1967	76684.1	6684.3	83368.8	.074
1968	78535.1	6539.1	85074.6	.077
1969	81040.4	5586.7	86624.8	.043
1970	82265.4	5803.8	88066.9	.047
1971	83544.1	5834.6	89376.2	.051
1972	82607.1	4837.6	87440.4	.054
1973	84093.6	4594.7	88683.8	.056
1974	84111.6	4217.2	88324.2	.062
1975	82476.7	4134.9	86607.1	.080
1976	99108.8	5256.5	104359.9	.122
1977	80257.4	4494.3	84747.3	.140
1978	82044.2	4490.6	86530.3	.143
1979	81493.2	4498.2	85987.1	.153
1980	83165.1	4561.8	87722.4	.136
1981	82924.2	4447.6	87367.3	.149
1982	82175.8	3716.7	85863.3	.161
1983	83744.5	3875.8	87595.6	.170
1984	89560.9	3850.9	93375.0	.177
1985	93459.1	3914.8	97332.9	.187
1986	97054.9	4077.1	101089.8	.188
1987	100579.1	4231.4	104766.6	.198
1988	103689.9	4348.3	107993.3	.222
1989	103871.2	4396.0	108226.6	.239
1990	107554.8	4477.9	111974.1	.243
1991	107251.8	4592.1	111811.8	.257
1992	107857.1	4494.4	112293.8	.264
1993	110851.6	4587.3	115373.1	.264
Growth Rate (%)				
1992	.6	-2.2	.4	2.8
1993	2.7	2.0	2.7	.0

* Mail Volume based to pieces in 1963. Miscellaneous Output based to piece equivalent in 1963. Total output based to sum of mail volume and miscellaneous output in 1963.

Table VII-8

Total Possible Deliveries
(millions)

Year	City Deliveries*	Rural Deliveries	Total Deliveries
1963	46.7	9.0	55.7
1964	47.9	9.1	57.0
1965	49.2	9.3	58.5
1966	50.9	9.5	60.3
1967	52.0	9.7	61.7
1968	53.0	9.9	63.0
1969	54.0	10.2	64.2
1970	54.9	10.5	65.4
1971	56.0	10.8	66.9
1972	57.4	11.3	68.7
1973	59.0	11.5	70.5
1974	60.8	12.2	73.0
1975	61.6	12.7	74.4
1976	62.2	13.1	75.2
1977	63.6	13.6	77.1
1978	64.7	14.0	78.6
1979	66.0	14.7	80.7
1980	67.4	15.1	82.5
1981	68.3	15.4	83.6
1982	69.1	15.8	84.9
1983	70.0	16.2	86.2
1984	71.2	16.8	88.0
1985	72.5	17.4	89.9
1986	73.4	17.8	91.3
1987	74.9	18.5	93.4
1988	75.9	19.3	95.2
1989	76.8	20.0	96.7
1990	77.6	20.7	98.3
1991	78.4	21.3	99.6
1992	78.9	22.0	100.9
1993	79.5	22.7	102.2
Growth Rate (%)			
1992	.6	3.3	1.2
1993	.7	3.3	1.3

* Possible City Delivery series has been rebased to the 1990 definition.

Table VIII-1
USPS Factor Inputs
(quantities in millions of 1972 dollars)

Year	Capital			Labor			Materials		
	Quantity Index	Growth Rate	Cost Share	Quantity Index	Growth Rate	Cost Share	Quantity Index	Growth Rate	Cost Share
1963	173.5		2.8	6800.6		77.3	1244.7		19.9
1964	183.5	5.6	2.8	6874.4	1.1	77.8	1280.9	2.9	19.5
1965	195.4	6.3	2.8	6987.7	1.6	78.9	1282.3	.1	18.4
1966	210.1	7.2	2.7	7271.3	4.0	78.9	1377.6	7.2	18.4
1967	220.9	5.0	2.9	7643.9	5.0	78.7	1490.0	7.8	18.4
1968	243.1	9.6	3.2	7916.4	3.5	79.5	1446.8	-2.9	17.3
1969	255.0	4.8	3.2	8084.2	2.1	80.4	1403.2	-3.1	16.4
1970	270.8	6.0	3.3	8188.0	1.3	80.9	1410.6	.5	15.8
1971	298.5	9.8	3.2	8202.0	.2	81.9	1408.5	-.2	14.9
1972	331.9	10.6	3.4	8041.4	-2.0	83.1	1308.1	-7.4	13.5
1973	378.4	13.1	4.0	7831.3	-2.6	83.0	1237.7	-5.5	13.0
1974	365.0	-3.6	3.3	8028.8	2.5	84.1	1249.4	.9	12.6
1975	366.9	.5	3.1	7967.9	-.8	84.1	1280.7	2.5	12.8
1976	396.3	7.7	3.6	7788.1	-2.3	84.5	1224.8	-4.5	12.0
1977	431.3	8.5	3.4	7694.4	-1.2	84.4	1259.5	2.8	12.2
1978	422.6	-2.0	3.5	7620.8	-1.0	84.5	1220.5	-3.1	12.0
1979	409.8	-3.1	3.5	7775.0	2.0	84.2	1288.8	5.4	12.2
1980	408.4	-.3	4.1	7839.4	.8	82.3	1384.6	7.2	13.6
1981	408.7	.1	4.5	7868.3	.4	81.6	1316.2	-5.1	13.9
1982	409.2	.1	5.1	7830.4	-.5	80.4	1393.8	5.7	14.5
1983	420.4	2.7	4.6	7948.9	1.5	80.6	1510.4	8.0	14.8
1984	452.6	7.4	5.4	8368.2	5.1	80.3	1588.3	5.0	14.2
1985	472.1	4.2	5.2	8658.3	3.4	80.3	1705.4	7.1	14.6
1986	488.3	3.4	4.7	8779.0	1.4	80.7	1724.4	1.1	14.6
1987	518.3	6.0	4.5	9035.1	2.9	81.2	1781.0	3.2	14.4
1988	563.2	8.3	4.8	9247.4	2.3	81.7	1812.7	1.8	13.5
1989	609.3	7.9	4.9	9286.8	.4	81.7	1859.3	2.5	13.4
1990	641.5	5.1	5.4	9264.4	-.2	81.5	1877.3	1.0	13.0
1991	672.2	4.7	5.4	9292.2	.3	80.7	2088.1	10.6	13.9
1992	716.7	6.4	5.6	9243.6	-.5	80.7	2104.1	.8	13.7
1993	754.7	5.2	5.7	9048.3	-2.1	80.8	2116.7	.6	13.6

Table VIII-2

Value, Price and Quantity of Aggregate Input
(millions)

Year	Value	Price	Quantity	Growth Rate (%)		
				Value	Price	Quantity
1963	4716.6	.574	8211.9			
1964	4939.7	.592	8340.9	4.6	3.1	1.6
1965	5293.9	.625	8464.7	6.9	5.5	1.5
1966	5743.3	.648	8868.0	8.1	3.5	4.7
1967	6281.7	.670	9371.3	9.0	3.4	5.5
1968	6726.9	.700	9612.0	6.8	4.3	2.5
1969	7318.0	.751	9739.0	8.4	7.1	1.3
1970	8027.9	.814	9867.3	9.3	8.0	1.3
1971	9080.8	.916	9909.9	12.3	11.9	.4
1972	9681.4	1.000	9681.4	6.4	8.7	-2.3
1973	9979.6	1.056	9447.3	3.0	5.5	-2.4
1974	11436.7	1.186	9644.9	13.6	11.6	2.1
1975	12621.6	1.313	9615.2	9.9	10.2	-3
1976	13814.1	1.469	9404.1	9.0	11.2	-2.2
1977	15109.8	1.613	9367.5	9.0	9.4	-4
1978	15762.2	1.704	9250.0	4.2	5.5	-1.3
1979	17451.1	1.845	9459.6	10.2	7.9	2.2
1980	19354.3	2.014	9612.2	10.4	8.8	1.6
1981	21422.6	2.237	9574.5	10.2	10.5	-4
1982	23030.7	2.395	9615.5	7.2	6.8	.4
1983	24255.2	2.460	9860.5	5.2	2.7	2.5
1984	26729.9	2.572	10390.7	9.7	4.5	5.2
1985	29514.1	2.729	10813.0	9.9	5.9	4.0
1986	30517.6	2.782	10970.1	3.3	1.9	1.4
1987	32403.1	2.864	11312.0	6.0	2.9	3.1
1988	36099.5	3.112	11600.9	10.8	8.3	2.5
1989	38251.0	3.262	11725.7	5.8	4.7	1.1
1990	40547.4	3.451	11748.4	5.8	5.6	.2
1991	44135.5	3.685	11977.6	8.5	6.5	1.9
1992	45845.1	3.826	11981.9	3.8	3.8	.0
1993	47356.7	4.006	11821.1	3.2	4.6	-1.4

Table VIII-4

Output, Network and Workload
(1972 = 1.0)

Year	Output	Network	Workload	Growth Rate (%)		
				Output	Network	Workload
1963	.842	.811	.836			
1964	.851	.830	.847	1.1	2.3	1.3
1965	.865	.852	.863	1.7	2.6	1.9
1966	.913	.879	.905	5.3	3.1	4.8
1967	.953	.899	.942	4.4	2.3	3.9
1968	.973	.917	.961	2.0	2.0	2.0
1969	.991	.935	.979	1.8	1.9	1.8
1970	1.007	.952	.995	1.7	1.8	1.7
1971	1.022	.974	1.012	1.5	2.2	1.6
1972	1.000	1.000	1.000	-2.2	2.7	-1.2
1973	1.014	1.026	1.017	1.4	2.6	1.7
1974	1.010	1.064	1.021	-.4	3.6	.4
1975	.990	1.083	1.009	-2.0	1.8	-1.2
1976	.955	1.096	.983	-3.7	1.2	-2.6
1977	.969	1.123	1.000	1.5	2.5	1.7
1978	.990	1.145	1.021	2.1	1.9	2.0
1979	.983	1.175	1.021	-.6	2.6	.1
1980	1.003	1.201	1.042	2.0	2.2	2.0
1981	.999	1.218	1.042	-.4	1.4	.0
1982	.982	1.236	1.031	-1.7	1.5	-1.1
1983	1.002	1.255	1.051	2.0	1.6	1.9
1984	1.068	1.282	1.110	6.4	2.1	5.5
1985	1.113	1.309	1.152	4.2	2.1	3.7
1986	1.156	1.329	1.191	3.8	1.5	3.3
1987	1.198	1.360	1.231	3.6	2.3	3.3
1988	1.235	1.386	1.266	3.0	1.9	2.8
1989	1.238	1.409	1.272	.2	1.6	.5
1990	1.281	1.432	1.311	3.4	1.6	3.0
1991	1.279	1.451	1.313	-.1	1.3	.2
1992	1.284	1.469	1.321	.4	1.2	.6
1993	1.319	1.488	1.354	2.7	1.3	2.4

Table VIII-5

Value, Price and Quantity of Workload
(millions)

Year	Value	Price	Quantity	Growth Rate (%)		
				Value	Price	Quantity
1963	4716.6	.583	8088.9			
1964	4939.7	.603	8196.4	4.6	3.3	1.3
1965	5293.9	.634	8350.3	6.9	5.1	1.9
1966	5743.3	.655	8765.0	8.1	3.3	4.8
1967	6281.7	.689	9115.8	9.0	5.0	3.9
1968	6726.9	.723	9302.5	6.8	4.8	2.0
1969	7318.0	.772	9474.4	8.4	6.6	1.8
1970	8027.9	.833	9635.6	9.3	7.6	1.7
1971	9080.8	.927	9794.2	12.3	10.7	1.6
1972	9681.4	1.000	9681.4	6.4	7.6	-1.2
1973	9979.6	1.014	9843.6	3.0	1.4	1.7
1974	11436.7	1.157	9886.9	13.6	13.2	.4
1975	12621.6	1.292	9772.1	9.9	11.0	-1.2
1976	13814.1	1.451	9517.2	9.0	11.7	-2.6
1977	15109.8	1.561	9681.7	9.0	7.3	1.7
1978	15762.2	1.595	9882.1	4.2	2.2	2.0
1979	17451.1	1.765	9887.2	10.2	10.1	.1
1980	19354.3	1.918	10090.6	10.4	8.3	2.0
1981	21422.6	2.124	10087.8	10.2	10.2	.0
1982	23030.7	2.307	9981.5	7.2	8.3	-1.1
1983	24255.2	2.384	10173.7	5.2	3.3	1.9
1984	26729.9	2.487	10746.3	9.7	4.2	5.5
1985	29514.1	2.646	11153.5	9.9	6.2	3.7
1986	30517.6	2.647	11529.0	3.3	.0	3.3
1987	32403.1	2.719	11915.7	6.0	2.7	3.3
1988	36099.5	2.946	12253.8	10.8	8.0	2.8
1989	38251.0	3.106	12316.1	5.8	5.3	.5
1990	40547.4	3.194	12694.5	5.8	2.8	3.0
1991	44135.5	3.471	12715.7	8.5	8.3	.2
1992	45845.1	3.584	12792.0	3.8	3.2	.6
1993	47356.7	3.614	13103.8	3.2	.8	2.4

Table VIII-6

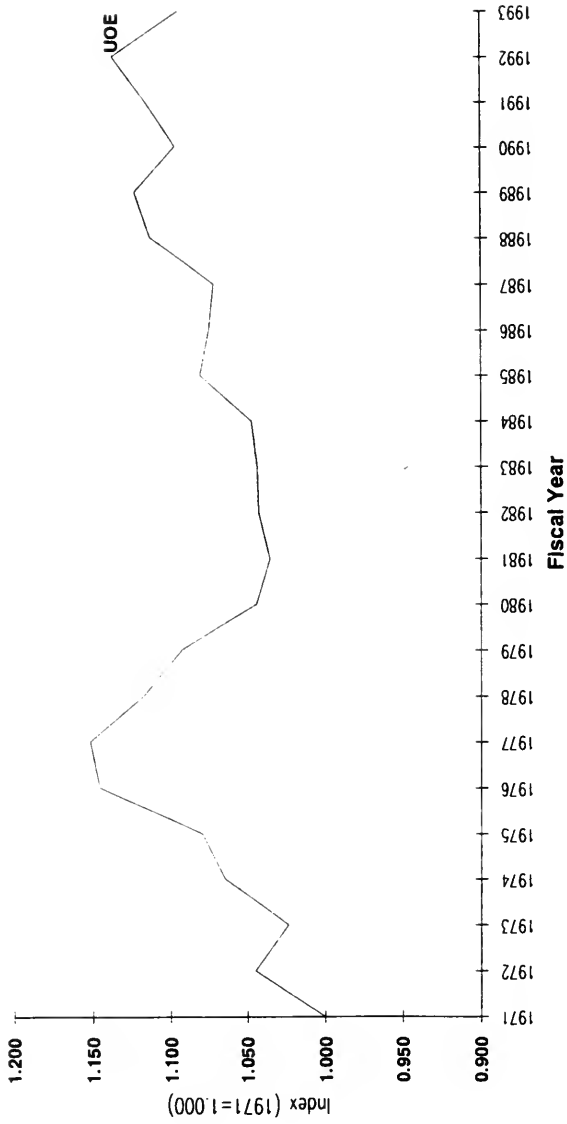
Workload, Input and Total Factor Productivity
(1972 = 1.0)

Year	Workload	Input	Total Factor Productivity	Growth Rate (%)		
				Workload	Input	TFP
1963	.836	.848	.985			
1964	.847	.862	.983	1.3	1.6	-.2
1965	.863	.874	.986	1.9	1.5	.4
1966	.905	.916	.988	4.8	4.7	.2
1967	.942	.968	.973	3.9	5.5	-1.6
1968	.961	.993	.968	2.0	2.5	-.5
1969	.979	1.006	.973	1.8	1.3	.5
1970	.995	1.019	.977	1.7	1.3	.4
1971	1.012	1.024	.988	1.6	.4	1.2
1972	1.000	1.000	1.000	-1.2	-2.3	1.2
1973	1.017	.976	1.042	1.7	-2.4	4.1
1974	1.021	.996	1.025	.4	2.1	-1.6
1975	1.009	.993	1.016	-1.2	-.3	-.9
1976	.983	.971	1.012	-2.6	-2.2	-.4
1977	1.000	.968	1.034	1.7	-.4	2.1
1978	1.021	.955	1.068	2.0	-1.3	3.3
1979	1.021	.977	1.045	.1	2.2	-2.2
1980	1.042	.993	1.050	2.0	1.6	.4
1981	1.042	.989	1.054	.0	-.4	.4
1982	1.031	.993	1.038	-1.1	.4	-1.5
1983	1.051	1.019	1.032	1.9	2.5	-.6
1984	1.110	1.073	1.034	5.5	5.2	.2
1985	1.152	1.117	1.031	3.7	4.0	-.3
1986	1.191	1.133	1.051	3.3	1.4	1.9
1987	1.231	1.168	1.053	3.3	3.1	.2
1988	1.266	1.198	1.056	2.8	2.5	.3
1989	1.272	1.211	1.050	.5	1.1	-.6
1990	1.311	1.214	1.081	3.0	.2	2.8
1991	1.313	1.237	1.062	.2	1.9	-1.8
1992	1.321	1.238	1.068	.6	.0	.6
1993	1.354	1.221	1.109	2.4	-1.4	3.8

Average Growth Rates (%)

1963-1971	2.4	2.3	.0
1971-1981	.3	-.3	.6
1981-1993	2.2	1.8	.4
1963-1993	1.6	1.2	.4

Unit Operating Expense (UOE)



**Indices of Operating Expense per Workload Piece,
CPI and Real Operating Expense per Workload Piece
(1971=1.000)**

Fiscal Year	Operating Expense per Workload Piece*	Consumer Price Index	Real Operating Expense per Workload Piece**
1971	1.000	1.000	1.000
1972	1.083	1.036	1.045
1973	1.103	1.077	1.024
1974	1.250	1.174	1.065
1975	1.408	1.304	1.079
1976	1.600	1.397	1.146
1977	1.729	1.502	1.152
1978	1.795	1.607	1.117
1979	1.939	1.775	1.093
1980	2.104	2.015	1.044
1981	2.317	2.238	1.035
1982	2.501	2.399	1.042
1983	2.589	2.482	1.043
1984	2.682	2.562	1.047
1985	2.864	2.651	1.080
1986	2.914	2.712	1.075
1987	2.985	2.786	1.071
1988	3.224	2.897	1.113
1989	3.407	3.035	1.123
1990	3.488	3.182	1.096
1991	3.723	3.338	1.116
1992	3.903	3.433	1.137
1993	3.866	3.534	1.094

* Nominal unit operating expense (UOE)

** Real unit operating expense (UOE)

**Annual Growth Rates of Operating Expenses, Workload
and Operating Expense per Workload Piece
(Percent)**

<u>Fiscal Year</u>	<u>Operating Expenses</u>	<u>Workload*</u>	<u>Operating Expense per Workload Piece**</u>
1971	13.8	1.6	12.0
1972	7.0	-1.2	8.3
1973	3.6	1.7	1.9
1974	13.8	0.4	13.3
1975	11.3	-1.2	12.6
1976	10.7	-2.6	13.7
1977	10.0	1.7	8.1
1978	5.9	2.1	3.8
1979	8.1	0.1	8.0
1980	10.7	2.1	8.5
1981	10.1	0.0	10.1
1982	6.8	-1.1	8.0
1983	5.5	1.9	3.5
1984	9.4	5.6	3.6
1985	10.8	3.8	6.8
1986	5.2	3.4	1.7
1987	5.9	3.4	2.4
1988	11.1	2.8	8.0
1989	6.2	0.5	5.7
1990	5.5	3.1	2.4
1991	6.9	0.2	6.7
1992	5.5	0.6	4.8
1993	1.5	2.4	-0.9

* Pieces weighted by work content and adjusted for the number of deliveries.

** Nominal unit operating expense (UOE)

**Annual Growth Rates of Operating Expenses per Workload Piece,
CPI and Real Operating Expense per Workload Piece
(Percent)**

Fiscal Year	Operating Expense per Workload Piece*		Consumer Price Index		Real Operating Expense per Workload Piece**
1971	12.0	1	3.7	1.0	8.2
1972	8.3	0.691069586	3.6	1.0	4.7
1973	1.9	0.154499843	4.0	1.1	-2.1
1974	13.3	1.111212449	9.0	2.4	4.3
1975	12.6	1.054619224	11.1	3.0	1.5
1976	13.7	1.13898017	7.1	1.9	6.6
1977	8.1	0.675517588	7.5	2.0	0.6
1978	3.8	0.31634925	7.0	1.9	-3.2
1979	8.0	0.669019252	10.5	2.8	-2.5
1980	8.5	0.710099184	13.5	3.6	-5.0
1981	10.1	0.843420242	11.1	3.0	-1.0
1982	8.0	0.66378418	7.2	1.9	0.8
1983	3.5	0.293088054	3.4	0.9	0.1
1984	3.6	0.301344657	3.3	0.9	0.3
1985	6.8	0.564547146	3.5	0.9	3.3
1986	1.7	0.145381592	2.3	0.6	-0.6
1987	2.4	0.203093026	2.7	0.7	-0.3
1988	8.0	0.667782972	4.0	1.1	4.0
1989	5.7	0.475245947	4.8	1.3	0.9
1990	2.4	0.198339532	4.8	1.3	-2.4
1991	6.7	0.562256436	4.9	1.3	1.8
1992	4.8	0.40274379	2.8	0.7	2.0
1993	-0.9	-0.07921829	2.9	0.8	-3.8

* Nominal unit operating expense (UOE)

** Real unit operating expense (UOE)

THE RATE CASE

The Postal Service has once again come under heavy scrutiny as a result of its formal request for 10.3 percent rate increase earlier this month. As I understand it, the decision to go with a smaller rate increase and a two-year cycle was predicated on the Postal Service's ability to increase productivity and cut costs over the next six months to a year.

Question: Given the current financial performance of the Postal Service, what plans will you put into place to ensure that productivity increases and costs are lowered during this crucial period of time?

Answer: We have already taken actions to reduce costs this fiscal year and increase productivity. Among the actions taken are:

- o \$150 million reduction in Headquarters' program expense.
- o Creation of a new Automation group.
- o Formation of a team to work on Delivery Point Sequencing.
- o Staff established to implement Remote Barcode Sorting.
- o Working group to review Bulk Mail Center functions in light of tremendous volume growth.
- o Instituted field compliance overtime targets.
- o Initiated facility complement controls.
- o Reduced capital spending.
- o Designation of Area Champions (Headquarters' Vice Presidents) to assist local management of Processing and Distribution Plants with performance.
- o Postmaster General and Chief Operating Officer visits to Areas for discussion of performance issues.

Question: What are the repercussions if the Postal Service is not able to realize the needed improvements in productivity and cost control? Perhaps another rate increase in less than two years?

Answer: We are aggressively pursuing our financial plan for FY 1994 and do not now foresee the need to initiate another filing soon after the current filing rates go into effect. If our actual results in FY 1994 fall short of plan, we will continue to pursue needed improvements in productivity and cost controls to allow us to maintain proposed new rates as long as practical.

Question: As the date approached for the Board of Governors to make a decision on the size of the rate request, it was widely reported that Postal management was courting the mailing community for support of the 10.3 percent increase. Do you think it was appropriate to outwardly lobby parts of the mailing community before the proposal was formally presented to the Governors? Would it be fair to say that Postal management sought to present a *fait accompli* to the Board of Governors?

Answer: In previous rate and classification cases, postal management has sometimes worked with mailers to develop proposals before presenting them to the Board of Governors. Generally, the Postal Service believes it is important to be informed about customer reaction to a rate or classification proposals before deciding to pursue them. At times, mailers themselves have been sources of ideas leading to specific proposals. In this respect, Docket No. R94-1 is not unique,

and the positive reaction received from mailers when consulted on the approach ultimately taken in Docket No. R94-1 reinforced the decision to proceed in that direction.

Given the nature of the across-the-board rate filing that was being developed late last year and early this year, it was also incumbent upon postal management to canvass potential rate case intervenors in order to be able to inform the Board concerning likely mailer reaction to such a filing. The alternative -- developing and proposing to the Board an across-the-board approach completely ignorant of the degree of mailer acceptance or opposition -- would not have been consistent with the objective of preparing the Board to make as informed a judgment as possible.

Postal management did not seek to present a fait accompli to the Board of Governors, nor can the Board's decision be characterized in that way. Before the decision to approve the Docket No. R94-1 rate filing, postal management fully briefed the Board concerning the nature of the rate filing the Board would be asked to approve. The Board's decision reflected its independent judgment based on the circumstances leading to the request to change rates and fees.

Question: As you may know, I used to run a small newspaper in Camden, Arkansas. It's a tough business which operates on a small margin. But, I believe these newspapers provide a valuable service to their communities. In the rate case you just filed, the one calling for a 10.3 percent across-the-board increase, in-county newspapers actually get hit with an increase of approximately 43 percent. Can you tell us why these in-county newspapers are getting such a big increase relative to almost everyone else?

Answer: The rates proposed by the Postal Service for any class of mail are required by 39 U.S.C. 3622(b)(3) and the Postal Rate Commission's rules to cover the attributable costs of that mail class in the test year during which those rates are proposed to be in effect. Rates for preferred categories, such as second-class in-county mail, also must comply with the requirements of section 3626(a) to recover a prescribed portion of institutional costs.

The Postal Service collects voluminous data from which it develops estimates of attributable costs. The data which support our Docket No. R94-1 filing indicate that second-class in-county mail has experienced a relatively high cumulative increase in attributable mail processing costs in the four years between the base year of Docket No. R90-1 (FY 1989) and the base year in Docket No. R94-1 (FY 1993).

As a result, we were constrained by section 3622(b)(3) to propose rates for second-class in-county mail which were built upon those markedly higher base year costs. When the mandatory section 3626(a) institutional cost allocation formula is applied, the resulting rate increase from current Step 2 second-class in-county rates to Docket No. R94-1 proposed rates is approximately 34 percent.

After we filed the case, we initiated an internal review to double-check the data, not only to make any necessary corrections but also to determine whether there was any rational and legally defensible basis for adjusting those data, if no specific errors could be identified.

Several days after we initiated Docket No. R94-1, I invited the executives and members of the National Newspaper Association (NNA) to meet with our costing and pricing analysts so that we could explain the basis for our proposed rates. We provided detailed data to them and invited their independent review of those data. We also informed them that the complex task of reviewing all the underlying costing data was ongoing and we presented some detailed data resulting from the early stages of that internal review. We solicited suggestions from NNA concerning areas they thought we should investigate further and we agreed to share additional data with them. At that meeting, NNA offered to survey its members to collect volume data for us to analyze. In the weeks since, we have met with NNA leadership, provided additional data, and received

preliminary NNA volume data for analysis. We also have met with representatives from the Newspaper Association of America (NAA) who have echoed the concerns expressed by NNA.

As our review of our own data and the data provided by NNA continues, it is premature to state whether the ultimate resolution will be a deviation from our original rate proposal. While we have faith in the data underlying our Docket No. R94-1 rate filing, I can assure you that we will not permit any internal presumption about the correctness of our data to stand in the way of an honest and open-minded re-examination. In the end, our primary objective will be to get things right.

Question: The fee for handling business reply mail -- those preprinted envelopes we get with our bill -- has been increased in the rate increase by about six cents. This is mail that is supposed to be processed quite readily by the new automated equipment. If this mail is less expensive to process, why the big increase? Is the automation system not working for this type of mail?

Answer: In the current rate case, the Postal Service has proposed to increase the special service fee for business reply mail that qualifies for automated processing by 4 cents, from 2 cents to 6 cents. This fee covers the costs of counting, rating, and billing for this business reply mail. (These costs are in addition to the normal costs for processing the business reply mail as First-Class Mail, which are covered by the First-Class Mail postage.) From 1988 to 1990, this automated business reply mail fee was 5 cents. In the 1990 rate case, the Postal Service proposed a 3-cent fee, based on an optimistic assumption about the extent that the automated business reply mail system (BRMAS) would be implemented by 1992. The Postal Rate Commission recommended lowering this fee even more to 2 cents, and the Postal Service Governors implemented that fee.

However, BRMAS has not been implemented to the level assumed in the last rate case. While the BRMAS automation works well when it is used, most of the mail qualifying for BRMAS processing does not receive that automated processing. Thus, the BRMAS fee is proposed to rise to 6 cents to cover the actual costs of handling the business reply mail. This fee, if recommended and implemented, would represent only a one cent increase from the 5-cent fee that existed prior to 1991.

Moreover, the Postal Service has proposed a 10-cent fee for business reply mail that does not qualify for automated processing. Compared to this fee, qualifying BRMAS mail would save four cents per piece. This savings for automated business reply mail thus would increase from the 3-cent differential prior to 1991 (when the differential became seven cents because of the overly optimistic assumption about the implementation of BRMAS).

Question: Prior to your tenure as Postmaster General, the Postal Service and the Postal Rate Commission had a working task force to address ratemaking issues. This taskforce went inactive at the time of the reorganization. Now that the reorganization is complete, are you prepared to revitalize this USPS-PRC working group? Could it not serve as a valuable tool in addressing important ratemaking issues like flexibility?

Answer: The Joint Task Force completed its role in June of 1992 with the issuance of its report. Many of the concepts proposed in the report are viewed as valuable by the Postal Service. As a result, we continue our efforts to convert some of them into actual proposed procedures. In fact, the Postal Service tried in the fall of 1992 to introduce an example of the type of streamlined procedures recommended by the Task Force when filing our request with the Commission on the Bulk Small Parcel Service case. We felt that it would be highly instructive to try to apply one of the Task Force concepts in an actual Commission proceeding. In the Bulk Small Parcel Case, however, the Commission did not succeed in incorporating our procedural proposals into practice. Nevertheless, some of the experience gained from this effort may be helpful in devising rules to address similar procedural concerns.

The Task Force proved to be a useful vehicle for formulating a broad outline for procedural reform. Now that this has been accomplished, we must proceed to transform that outline into practical procedural rules. I have recently contacted the Chairman of the Commission to invite his views on how that might best be accomplished.

Question: I understand that the current rate case is viewed by many in the postal community as an interim step for what is coming next - a major change in the classification of mail. I understand that the Postal Service plans to draw together from the current classes of mail those types of mail that have some commonality, say with respect to whether automated processing is possible. I have always been concerned about "Aunt Minnie - the average mailer" being left out in this type of scheme. Would the Postal Service be willing to adopt the Public Automation Rate or PAR that the Postal Rate Commission recommended in 1987 and 1991, so that the average citizen can directly benefit from your automation through a specific lower rate?

Answer: The Postal Service's proposals for major mail reclassification are still in the process of being developed. No ideas have definitively been included or excluded. The notion of a discount for individually-deposited prebarcoded letters is not one without some attraction. Most particularly, as you suggest, it could enhance the perception among members of the general public that they are sharing in the benefits of the automation program. (We note that the scope of the Commission's recommendations in 1987 and 1991 was significantly different, but we assume your comments are directed primarily to prebarcoded courtesy reply mail, which individual mailers often use to pay bills, make charitable contributions, and send mail orders.)

The Postal Service, however, continues to have concerns with such a proposal. High on our list is enforcement difficulty. Over many generations, American mailers have become accustomed to affixing the same stamp to all of their standard-sized letters of one ounce or less - regardless of the distance it must travel or the intended recipient. The simplicity of this system has served both the mailers and the Postal Service quite well. Most members of the public keep on hand only stamps of that one denomination and, without a moment's thought, use them for all of their letter mailing needs.

A discount for prebarcoded courtesy reply mail would alter this situation significantly. Mailers attracted to the discount would need to keep an inventory of two types of stamps, regular and discounted, and, equally importantly, need to know when use of each type is appropriate. What before was essentially a reflex act - licking a stamp and applying it to the envelope - would now require some attention. Even granting that with substantial effort on the part of the Postal Service, most mailers could be educated to understand the relevant eligibility criteria, there is still no guarantee that those who fully recognized proper use of the discount stamp would always limit their use to appropriate occasions. The Postal Service therefore could expect with some regularity to face the unenviable prospect of choosing between returning short-paid mail, or trying to collect, as postage due, the relatively small amounts at which the discount would be set. Neither choice is likely to enhance customer satisfaction.

Moreover, one may question how much "the average mailer" would truly benefit from such a prebarcoding discount. Consider that most citizens already deposit some prebarcoded reply mail that would qualify for such a discount, and other mail, reply mail or not, which is not prebarcoded and would not qualify for the discount. If a discount were implemented, the Postal Service would have to recover from somewhere the revenue it would lose from granting a discount to the existing prebarcoded mail. The most obvious way to recover that revenue would be to raise the rate on nonprebarcoded letter mail. Therefore, what "Aunt Minnie" might gain from the prebarcoding reply mail discount, she could stand to lose on all of her other letter mail. It would seem to make more sense to continue to charge "Aunt Minnie" one rate for all of her letters, and, as the Postal Service

has already been doing, use the cost savings which accrue from the portion of her letter mail that is prebarcoded reply mail to keep the rate down for the portion of her letter mail that is not.

As it prepares its reclassification case, the Postal Service will strive to balance these competing concerns. The overall structure of the proposals for what is now the First-Class letter mailstream could have a substantial effect on whether a prebarcoded reply letter discount is merited. As that structure begins to emerge, the Postal Service will carefully consider the potential costs and benefits of proposing such a discount.

SENATOR COVERDELL'S LEGISLATION

As you know, Senator Coverdell has introduced legislation that would prevent the Postal Service from penalizing an individual or company for using private express to carry letters or packets. This bill, along with companion legislation in the House of Representatives, is a response to several well-publicized audits conducted by the Postal Inspection service during 1993. I do not need to tell you that this is a very serious matter. Clearly there are members of Congress who would seek to dismantle or privatize the Postal Service. However, many supporters of the Postal Service, and I include myself in this group, do not look favorably on Postal Service auditors substituting their judgment for businessmen in deciding what mail is "urgent".

Question: What is your response to those of us who are opposed to this government intrusion into the affairs of private companies?

Answer: The Postal Service has not done an effective job of educating people about the terms of this suspension. If the Postal Service had adopted an "urgency in the eyes of the sender" suspension, it might as well have suspended the Private Express Statutes in their entirety, because nobody would want to use a private carrier unless he or she had important business reasons from their own perspective to do so. The Postal Service did not adopt that kind of suspension, and made clear both in the text of the rule and in the Federal Register explanation and Congressional hearings when it was adopted that it was doing something very different. What anyone thinks about the subjective urgency of a particular letter is irrelevant to whether it qualifies for the suspension. That applies to what the customer thinks and to what any postal employee thinks. None of it is relevant. To qualify for the suspension, a letter must meet one of two tests. If the price paid for private carriage is \$3.00 or twice the applicable postage, then it qualifies, period -- how urgent it is does not matter. What the customer (or an Inspector) subjectively thinks about the urgency or importance of the letter or of using a private carrier makes no difference, except insofar as it motivates the sender to spend \$3.00 or twice the postage to get it there. This is the test on which the private expedited delivery industry has built its success.

If the customer pays less than \$3.00 or twice the postage, the letter will qualify for the suspension only in very limited circumstances. Those are that it must actually be delivered within a tightly defined time limit varying with distance, and its value in an objective sense must be lost if not delivered on time -- for example, news copy that will miss the press run if not delivered within the limit. If the shipper or an Inspector has any doubt as to whether an item is exempt under the suspension, either one may obtain an official advisory opinion from the Postal Service Law Department.

Question: Because our universal mail service is uneven, that is, the success rate of delivery standards differ across the country, can a company be faulted for taking the "safe" route and paying more for a private service?

Answer: No, the company cannot be faulted, if it is willing to play it safe by paying \$3.00 or twice the postage, whichever is greater, so that it qualifies for the suspension. Alternatively, Congress has specifically provided in 39 U.S.C. 601(a) that anyone can send any letter privately if he or she affixes postage to it, so that the financial base of the universal postal system is not undercut.

Question: The Postal Service has consistently stated that these compliance reviews are strictly voluntary. Has a company refused an audit request? What would the Postal Service's reaction be in the event of such a refusal?

Answer: The reviews are voluntary in that the Postal Service has no administrative power to compel anyone to allow the review for the purpose of establishing a violation or collecting postage. But the terms of the suspension itself require that those who make use of it be prepared to demonstrate to the Postal Service their compliance with its terms. If a company using the suspension does not permit such a review voluntarily, then the rules provide that the Postal Service may bring a legal proceeding before the Judicial Officer for revocation of the suspension, and that the company must come forward to show that its use of the suspension was lawful. This provision was emphasized in the rulemaking originally adopting the suspension. In practice, the Postal Service has found that most companies want to obey the law and will cooperate and comply with all of the terms of the suspension when they understand them. A few have resisted, and the Postal Service maintains the right to initiate a revocation proceeding in an appropriate case.

Question: In addition to its auditing of private companies, the Postal Inspection Service also recently concluded an audit of Federal Agencies. A number of agencies were found to be in serious violation of the "urgent" rule. However, none of the agencies accrued financial penalties as a result of these violations. Instead, USPS personnel will go into the mail rooms of these agencies and "educate" Federal workers concerning the rules of compliance. Is a double standard not at work here? Don't private companies have a legitimate complaint that they are being treated far more harshly than the Federal agencies?

Answer: The audit to which this question refers was a preliminary and generalized review which did not involve determining the quantitative information that would be needed to determine the extent of particular violations or amounts of postage lost. Follow-up audits may be needed and no decision has been made to exempt the Government from paying postage where it is due. Both in the public and the private sectors, the first concern of the Postal Service is to educate its customers and work with them to bring their operations into compliance with the rules. The postage-paying agreements it has negotiated have dealt with situations where the customer wants to continue private carriage of letters that do not qualify for any exception or suspension. If a Government agency wanted to do that, we would consider such an agreement with them too.

NONPROFIT REFORM

1. The past year saw long-awaited legislative action on the Revenue Foregone issue. The "Clay Compromise," while not addressing eligibility, will require nonprofit mailers to pay a progressively larger share of mailing costs over a six-year period.

Question: Are you satisfied with this compromise plan enacted into law last year? If not, what additional steps do you feel are necessary?

Answer: Our position on revenue forgone and preferred rates has always been that preferred rates should not create a financial burden on the Postal Service, or on regular-rate mail users. In last year's reform of the revenue forgone program, Congress did not eliminate preferred rates, but did end the annual appropriation to fund reduced-rate mail. Part of this objective was achieved by

shifting some of the overhead costs of reduced-rate mail to other Postal Service customers. We find this disturbing.

From a mail classification perspective, we and our customers are disturbed by the complexity of the new restrictions on commercial advertising in nonprofit third-class mail. We are particularly sensitive to criticism that our mailing standards are too complex, and we have been attempting to simplify them to make it easier for our customers to do business with us. The new legislation prohibits advertisements for products and services that are not "substantially related" to the nonprofit purposes of an organization. The Postal Service has opposed the creation of such "relatedness" standards in the past, because they are difficult to apply at the time of mailing, and may lead to the assessment of revenue deficiencies after mailings are made. This leads to increased mail acceptance costs for the Postal Service, and uncertainty for our customers. We are currently devoting considerable effort to develop fair and equitable guidelines to implement this law. In the future, we hope that Congress will help us avoid these types of problems, by not enacting legislation that conditions reduced-rate eligibility or restrictions on difficult-to-apply subjective standards.

Question: In your opinion, how extensive is the abuse of the subsidies directed by Revenue Foregone? What classes of organizations would you recommend be denied the Third-class mail rate subsidy under Revenue Foregone?

Answer: To the best of our knowledge, the vast majority of preferred-rate customers make an effort to comply with the applicable rules and regulations, and do not intentionally "abuse" their mailing privileges. We believe, however, that eligibility for these rates has expanded over the years to include many types of groups not originally intended by Congress. To resolve this problem, and reduce the overall cost of the revenue forgone program, we suggested last year that eligibility for nonprofit rates should be limited to certain "traditional" types of religious, educational, scientific, philanthropic, agricultural, labor, veterans, and fraternal organizations exempt from taxation (or in some cases excused from applying for exemption) under specific sections of the Internal Revenue Code. This would have excluded political and social welfare advocacy groups, professional and business leagues, and social clubs from mailing at preferred rates, and reduced the cost of the revenue forgone program by about \$46 million.

Question: The most explosive issue surrounding the implementation of the Clay Compromise concerns the Postal Service's proposed regulations on advertising in third-class nonprofit publications. The nonprofit community feels the regulations are too restrictive and violate the intent of Congress. What is your reaction to this line of argument?

Answer: We believe that our regulations implementing the new restrictions on third-class advertising will be consistent with both the terms of the statute and the intent of Congress. The Revenue Foregone Reform Act provides that advertising for products and services cannot be sent at the nonprofit third-class rates, unless the sale of the product or the providing of the service is "substantially related" to the nonprofit purposes of the mailer. The determination whether a product or service is "substantially related" is to be made in accordance with standards established under the Internal Revenue Code. We want to underscore that our regulations will follow as closely as possible, the Internal Revenue Code standards on this point.

We recognize that there has been some controversy with regard to the types of advertising that the statute allows in third-class nonprofit publications. Some nonprofit groups have urged us to create a blanket exception from the new restrictions for paid advertising contained in any publication mailed at the nonprofit third-class rates. We do not believe that the statute provides, or was intended to provide, for such an exception. We further believe that creating such an exception on our own initiative would violate the Congressional intent, expressed in the Conference Report on the Revenue Foregone Reform Act, that the commercial use of nonprofit third-class mail be "prohibited." It should be also noted that the particular type

of exception that some nonprofit groups have urged us to create would enable them to evade the new advertising restrictions, by allowing them to insert their merchandise catalogs into "publications." It would additionally create a way around the reforms that Congress enacted in 1990 to prohibit third-class nonprofit advertising for credit cards, insurance policies, and travel arrangements. We do not believe that Congress intended the Revenue Forgone Reform Act to have any such result.

Question: When will the Postal Service reach a final ruling on this issue?

Answer: The final rule implementing the provisions of Public Law 103-124 will be published in early May.

Question: How will the USPS go about implementing these new regulations? Are you considering a phase-in period?

Answer: The Postal Service intends to publish the final rule in the Federal Register and the Postal Bulletin in advance of its effective date to give mailers time to study it and to bring their materials into compliance, if necessary, with the new content-based restrictions. We will ask postmasters to ensure all organizations authorized to mail at the special bulk third-class rates at their post offices are advised of the changes.

SERVICE AND DELIVERY STANDARDS

In a recent mailing community newsletter, it was reported that the plan to give post offices an extra day to deliver local mail was once again under consideration. Put simply, the one-day standard for local mail would be a thing of the past. This, unfortunately, would not be inconsistent with a trend in the Postal Service over a number of years towards lowering service standards.

Question: As Postmaster General, have you had the opportunity to examine the plan to add another day to local delivery? How would a concept such as this fit with your vision of a leaner, more competitive Postal Service?

Answer: In June, we will begin testing a program called Delivery First in the Tampa, Florida District. The test is being done in order for us to determine the feasibility of providing consistent earlier delivery of mail to our customers. The traditional time frames for processing mail in the Tampa area will probably have to be modified in conjunction with the test. At this point in time, we cannot quantify the impact on the delivery of local mail. The test is scheduled to last for six to twelve months after which we will be able to determine the specific impacts of modifying the delivery time of mail to our customers.

This concept may enhance our competitive position by allowing us to make more efficient usage of our plants and equipment. Once again, the results of our test will allow us to fully evaluate the program.

Question: During the past year, the Postal Service has suffered from a number of high-profile gaffes. Of course, I am most familiar with the thousands of pieces of lost 1992 Christmas mail which was discovered in Blytheville, Arkansas. Another embarrassing incident was the February delivery of Vice President Gore's Christmas cards to thousands of his friends. While the Postal Service generally excuses such losses, and the many complaints we receive on Capitol Hill, as involving only a tiny percentage of mail volume, these types of stories tend to erode public confidence in overall service. Has special attention been given to this problem of "misplacing" large quantities of mail? What safeguards are needed to keep future incidents from occurring?

Answer: As a result of the 1992 Christmas incident and the incident involving Vice President Gore's Christmas cards, we have taken steps to ensure that these problems do not recur. Air cargo containers for the Christmas 1993 networks were purchased by the Postal Service and, as such, are the property of the Postal Service. These containers represented about 95 percent of the network requirements. Each container was uniquely identified and provided to the network contractors for use on the Christmas

networks. The containers were individually tracked from origin to destination on a daily basis through the newly implemented Christmas Network Tracking System. At the conclusion of the Christmas period, the Managers, Distribution Networks, in each area completed an Air Cargo Container Checklist verifying the containers were empty.

In regard to Vice President Gore's Christmas cards, approximately 95,000 were mailed at the third-class rate and to our knowledge less than one percent were delayed. However, we regret any instance where our customers do not receive the service which they expect and deserve.

Question: In the case of the 1992 Christmas mail, a contractor was involved. How can the Postal Service better monitor the performance of its contractors? What penalties are in place for this type of gross negligence on the part of Postal Service contractors?

Answer: We require that our contractors conduct an inspection of their containers at the conclusion of the Christmas period to ensure that they are empty prior to trucking and storage. Containers are checked prior to being trucked and again prior to storage. Each contract contains monetary penalties for violations in regard to late and delayed mail. The penalties vary in each contract.

Question: I have a constituent in Little Rock, he is the owner of a business which handles advertising and promotional activities for local companies. Last December, his firm mailed 5,000 promotional pieces on behalf of a client. There was not a single response to this promotion. Their very reputable client was understandably puzzled, and hired a professional telemarketing firm to survey those on the mailing list. Based on the results of this survey, it was determined that approximately 60 percent of the targeted mailers never received the promotion. In the end, you have two unhappy companies who will probably never use the Postal Service again for a promotional project. What recourse does a bulk mailer have when the service rendered is so poor? The Postal Service has expended a lot of effort in recent years to cater to the mailing needs of big business. What about small businesses? How can the Postal Service hope to retain the confidence of small businesses when there is so little accountability for poor performance?

Answer: When a customer does not receive the type of service he is expecting from the Postal Service, it should immediately be brought to the attention of postal managers who are responsible for the service area. In cases of large mailings, the post office where the mail was deposited should be contacted first in order to determine what may have happened to delay the mailing. It should be noted that mail processing facilities, such as Little Rock, process millions of pieces of mail each day. It is extremely difficult to track a relatively small mailing of a few thousand pieces given this tremendous volume. Nevertheless, when alerted to a possible loss or delay of mail, our managers will make every effort to rectify the situation.

A refund of postage may be authorized only if it is fully substantiated that postage was paid and no service was rendered. By "no service" we mean that the mailpieces were not delivered as addressed. Unfortunately, it is difficult to substantiate that the pieces were not delivered as addressed. Response levels to a direct advertising campaign depend upon many factors such as timing, price convenience, and mailing list choice. The lack of customer response is not considered a basis that no service was provided and/or that a postage refund is due. In addition, surveying addressees to ascertain whether pieces were delivered may not accurately reflect delivery since many people receive a significant number of advertising pieces and may not accurately recall receiving a piece that was not expected.

We regret that your constituent was not satisfied with the service he received. You may be assured that the Postal Service is striving to provide all of its customers, including small businesses, with an increased level of customer satisfaction. We value our customers and are committed to doing everything we can to earn their trust and keep them as customers.

Question: The *Washington Post* recently featured an article on the serious problems with mail service in the Chicago area. In this article, the Postal Service's spokesperson stated that part of the trouble involved

a shortage of personnel and a need for route restructuring. It is interesting to note that these are areas that could have been addressed, but instead were neglected by management for a number of years. The article goes on to say that as Postmaster General, you do not like to "micro-manage" your subordinates, but that no senior managers in Chicago would be relieved. Your response in effect leaves no one responsible for years of poor service in the Chicago area. Doesn't this suggest a real problem with accountability at the Postal Service?

Answer: Our team of postal experts is working with the local management in Chicago to bring about many needed changes. The changes that have been made and that will be made will lead to a higher level of customer satisfaction. The local managers are accountable for ensuring that our customers in the Chicago area are the recipients of efficient mail service.

Question: It took a concerted effort by citizens, local officials, and members of Congress to finally get attention focused on the problems in Chicago. Why was the reaction so slow? How can smaller communities hope to have their problems addressed, when a city the size of Chicago was ignored for so long?

Answer: Local postal management has the responsibility for the day-to-day operations of the Postal Service in their area. Our resources, like any corporation, are limited. I do not believe there was a failure to react in a timely manner. Rather, we operated under the assumption that our local managers could resolve the problems that existed. We still believe this; however, we also felt our Chicago management team could benefit from the experience and knowledge of other postal employees. It was for this reason that a team of seasoned postal professionals was established and sent to Chicago.

I am confident that in most of the communities across the United States our customers receive excellent service from our many dedicated postal employees.

CHARITABLE ACTIVITIES

During February of this year, the letter carriers of the Capital District participated in the *Harvest For the Hungry* food drive campaign. Carriers collected non-perishable food items from residents along their mail route. I understand that the Postal Service, in conjunction with the National Association of Letter Carriers (NALC), has participated in similar activities in other major cities since 1990.

Question: Is the NALC the only group which is involved in choosing the charity? What standards are used in the selection of a particular charity? Does the Postal Service ultimately have veto authority?

Answer: The "*Harvest for the Hungry*" food drive in the Capital District was a local postal management initiative. The NALC participated in conjunction with the three other major unions. No particular charity was sponsored; the food went to the three local major food banks. The Postal Service decides to what extent its participation in such efforts is compatible with its primary mission of delivering the mail.

Question: What portion of the collection activities are typically carried out during working hours? How have the food collections affected delivery standards?

Answer: Since the Postal Service is a twenty-four hour a day operation, all collection activities were during working hours. There has been no negative effect on delivery standards as a result of food collection.

Question: Is the *Harvest For the Hungry* food drive campaign considered an adjunct to the Combined Federal Campaign (CFC)? Is the time used considered to be official time under the auspices of the CFC? If not, how is the time used for the food bank collection shown in your budget?

Answer: The *Harvest for the Hungry* campaign is not an adjunct to the Combined Federal Campaign (CFC); accordingly, there is no official time under the auspices of the CFC. Primarily, the time used in collecting food is the result of an "extra effort" on behalf of the employees involved. Occasionally, the collection of food may result in a de minimus amount of overtime. There is no separate accounting for such time.

The CFC logo appeared on mailings because customers questioned whether Harvest for the Hungry was, in fact, a nonprofit organization. Since only nonprofit organizations are affiliated with the CFC, this logo was used to assure anyone who wished to donate that their contribution of either cash or food was indeed going to a nonprofit organization.

INTERNATIONAL MAIL ISSUES

Nearly a year and a half ago, Senator Stevens and I asked the Postal Rate Commission to do a study on the cost coverage of international mail. Initially the Postal Service argued that the Postal Rate Commission did not have jurisdiction over international rates and, hence, it would not cooperate. At one point, Postal officials said they would cooperate if we agreed to let the General Accounting Office do the study. Then, the Postal Service argued that it would not cooperate because the study would require the disclosure of what it viewed as commercially sensitive business information -- the type competitors could make use of. My staff worked very hard to redesign the study to ensure the confidentiality of Postal Service information. The Postal Service still refused to cooperate in this study that two United States Senators on a committee of competent jurisdiction requested.

Question: Is this going to be what we can expect from a Postal Service that speaks increasingly about its need to "compete" --that you will refuse to respond to study requests and/or to make information available on the grounds that it involves a competitive area, and is therefore commercially sensitive?

Answer: The Postal Service is committed to providing this and all other committees of competent jurisdiction with all of the information they need to perform their oversight function. The information has been offered to the committee and its staff. While the pending UPS lawsuit challenging international postage rates prevents the Postal Service from participating in a Postal Rate Commission study of international costs and revenues at this time, the Postal Service remains committed to providing whatever information is necessary for the committee to oversee international mail services.

This is the chronology of events. When the Postal Rate Commission was asked to do the study of international costs and rates, a letter was also sent to the Chairman of the Postal Service Board of Governors requesting the Postal Service to cooperate in the study. Chairman Pace responded that she had asked Postmaster General Runyon personally to insure that Postal Service staff fully cooperated with any reasonable request for information that the Commission might make. At approximately the same time, Chairman Haley wrote to Postmaster General Runyon informing him of the study and asking him to designate one or more knowledgeable individuals to serve as contacts for providing international cost, revenue, and volume data. The Postmaster General responded that notwithstanding serious doubts about the Commission's authority to conduct such a study the Postal Service would respond to any reasonable request that the Commission might make. The Postmaster General also pointed out that international postal services are offered in full competition and that data on international costs, volumes, and revenues were commercially sensitive. This would place limitations on the types and levels of information that the Postal Service would be able to provide. The Postmaster General further requested that the Commission agree not to release to third parties any commercially sensitive information that was provided. Chairman Haley responded that the Commission would not agree to keep information confidential, but stated that the vast majority of the data requested would not be competitively sensitive.

After this exchange, the Commission submitted to the Postal Service an extensive request for information. This included detailed information about the costs, revenues, and volumes for specific international services and markets, almost all of which was commercially sensitive. As the Commission would not commit to keeping this information confidential, the Postal Service declined to produce the commercially sensitive data. Postmaster General Runyon informed Senator Pryor and Senator Stevens of its decision, and explained why the Postal Service could not produce the data the Commission requested.

During and after this, the Postal Service consulted with Committee staff about the concerns the Postal Service had with the study. The Postal Service made several proposals that would alleviate those concerns, including having an entity not subject to the Freedom of Information Act, such as the GAO or an independent accounting firm, conduct the study. We also proposed that the data be furnished directly to the Committee, which would allow the study to be done by whomever the Committee chose under such instructions regarding the preservation of confidentiality as the Committee prescribed. The Postal Service also proposed allowing persons designated by the Committee access to data that would remain in the Postal Service's possession. Under each of these alternatives, the Postal Service remained concerned that commercially-sensitive data be disclosed only to Committee members, committee staff, and the persons actually performing the study, and that any public report not contain commercially-sensitive information. No agreement on any alternative, however, was reached.

A further letter to Chairman Haley altered the terms of the study. The Commission was asked to hold in confidence all non-public information that the Postal Service provided which the Postal Service believed was commercially sensitive, but was still required to make a public report of costs and revenues for each international service at the segment level. As these costs and revenues were themselves commercially sensitive, the Postal Service continued to have concerns.

Eventually, UPS filed its lawsuit challenging International Customized Mail service, alleging that the rates for this new service were unfair, unreasonable, and unduly preferential and discriminatory. As this placed before the courts some of the same issues that the study was to address, the Postal Service was compelled to discontinue trying to reach an agreement on conducting the study because participation in the study might prejudice its ability to defend the lawsuit. The Postmaster General informed you of this new development and committed the Postal Service to resume seeking a solution when the litigation no longer posed an obstacle.

As the foregoing indicates, the Postal Service has tried to cooperate and to provide the information needed by the committee to perform its oversight function. The Postal Service has also tried to act responsibly in the interest of its customers and employees to protect commercially-sensitive information that could be used by competitors to erode the volume and revenue base upon which the provision of all international services at fair and reasonable rates depends. The Postal Service will continue to be as responsive as it can to information requests in connection with Congressional oversight.

Question: Assuming that the costs and markups you present for international mail in your R94 rate filing are reliable, I note that the Postal Service proposes rates that will result in international mail having a markup index of .362. That means international mail's contribution to institutional cost will be 36 percent of the average contribution for domestic mail. This is the lowest contribution for international mail since the postal reorganization. Would you please explain why international mail is making an increasingly smaller contribution to the overhead of the Postal Service. Is it not unfair to domestic mail rate payers who no have to shoulder an increasing burden? In order to assist us in our oversight responsibilities, would you please supply all analyses including estimates of elasticities of demand that support such a low contribution from international mail.

Answer: In 1986 the Postal Service suspended the application of the Private Express Statutes to international mail. Since then the Postal Service has faced broadly-based competition not only from American private sector firms, but from foreign companies, and even foreign postal administrations. These elements of competition have had the effect of reducing volume growth by diverting international mail traffic to competitive service providers. The economic consequences of open competition define a market condition where price adjustments must be market- or demand-based, and margins or markups reduced in order to remain competitive. Competition also means that contribution per piece will diminish, thus making this statistic a relatively poor measure of price comparison with other services such as domestic postage services. Any attempt to increase contribution on a per-piece basis can actually have the opposite effect by reducing the total amount of contribution that is earned by diverting international mail volume to one of the competitive alternatives.

Further, the .362 number is misleading because it includes the costs and revenues for both outbound and inbound mail. Outbound mail is priced on outbound costs. The rates we receive for inbound mail other than parcel post and Express Mail (terminal dues) are set either by the Universal Postal Convention or by bilateral agreement with other postal administrations. In order to keep rates down for U.S. mailers, the Postal Service negotiates the lowest prices it can from foreign postal administrations, and this can require making concessions on how much it charges foreign postal administrations to deliver their mail. Overall, even including the terminal dues charges over which we have no control, the Postal Service basically breaks even on inbound mail. This means that outbound rates and revenues are closer to average than the .362 figure suggests.

The .362 figure is additionally misleading because it includes payments to foreign postal administrations for delivering U.S. origin mail in its cost base. International mail services are provided in partnership with other postal administrations, and the rates the Postal Service charges are more realistically viewed like joint rates that common carriers charge. Thus, the rate the Postal Service charges its customers is really the summing of two rates: the Postal Service's rate for the work it does and the rate the foreign postal administration charges for the work it does. If contribution were measured against the costs the Postal Service incurs for its part of the service, excluding the rate charged by the foreign postal administration, the markup index figure would be much higher.

Question: Is it true that when some customers in the United States send an International Express Mail letter or package to say France, Germany, or Canada, the package is delivered to the address by a private courier rather than your sister postal administrations? How much do you pay these private couriers for their services?

Answer: In July 1991, the postal administrations of five countries (Canada, France, Germany, The Netherlands, and Sweden) formed a joint venture called Global Delivery Express Worldwide (GDEW) with the multinational transport company TNT. At that time, these five postal administrations announced that, in creating this joint venture, they would discontinue their bilateral EMS service with the remaining member countries of the Universal Postal Union (UPU). There are currently 186 UPU member countries. To ensure continuance of EMS service to these five countries where EMS service would shortly no longer exist, the UPU (that is, those countries which had not joined the GDEW joint venture) decided to contract a collective solicitation during 1992 to secure alternate arrangements for the delivery of EMS items in these five countries. Neither TNT nor the GDEW joint venture nor any of these five postal administrations submitted a bid in response to the solicitation.

From the bids received in response to the collective solicitation, the Postal Service selected the companies listed below as they offered the best combination of price and service. In addition to the Postal

Service, about 25 UPU member countries now use these companies for delivery of EMS items. We have signed one-year contracts renewable for two additional one-year terms.

<u>Courier Company</u>	<u>Commencement of Service</u>	<u>Delivery Charges Per Piece</u>
Canada-Purolator Courier	3 Jan 1994	11.11 CAD
France-Jet Services Int'l	29 Nov 1994	55.97 FF
Germany	29 Nov 1994	23.25 DM
Netherlands-KLM (customs)	29 Nov 1994	4.5 SDR
NPD (delivery)	29 Nov 1994	4.9 SDR
Sweden-ASG	29 Nov 1994	88 SEK

In early 1993, the UPU Executive Council formed a Contract Management Team (replacing the Project Management Team for the collective solicitation) to oversee the contracts and to manage the service provided by the companies. This team, which the U.S. chairs, is composed of Brazil, Egypt, Great Britain, Hong Kong, Japan, and the U.S.

POSTAL METER FRAUD

Last September, you announced that the Postal Service was losing millions in potential revenue to various forms of postal meter fraud. In response to this announcement, I asked the General Accounting Office to undertake a comprehensive study of this problem. I understand that the General Accounting Office provided you with a draft copy of this study earlier in the week.

Question: In its draft report, GAO painted a rather bleak picture of the potential for loss in the meter program. How would you compare the control you have over meters today with the control you had one or two years ago? How will your vulnerability to fraud change a year from now?

Answer: Our control over postage meters today compared with one or two years ago has improved considerably. However, the controls today are temporary fixes, which are only meant to slow, or in some cases, stop any further fraud through postage meters. The real control of postage meters is a long-term solution involving new technology which will enhance security. Of real concern to us was the indiscernible tampering method discovered 15 months ago. To solve this, we worked with the meter manufacturers to modify all postage meters located in "high-risk" locations. We have also worked with the meter manufacturers to tighten their control over lost and stolen meters. We now have a temporary data base of all meters to track each manufacturer's activity. This data base will be replaced with a permanent system by the end of 1994.

As more postage meters are modified to prevent indiscernible tampering, our risk of fraud will diminish. We still are vulnerable to counterfeiting, which will only change as new printing technology comes on the market. We are actively pushing this technology through development and testing, but we are looking at several years before deployment of this technology will help us. We are also deploying a new verification system which will be sampling 30,000 pieces of mail each day, by August 1994.

Question: Now that you have had time to more closely examine meter fraud, do you feel that the \$100 million estimate of annual meter fraud losses (announced last September) is still a good estimate?

Answer: When we used the \$100 million estimate of annual meter fraud losses, it was the best guess at the time. We now feel this number may be too high for just meters alone. Our losses from counterfeiting must also be included. We still do not have an accurate number of each type of loss, or a combination of the two.

Question: How can manufacturers be held more accountable for meter deficiencies in security and inaccuracies in accounting for all meters?

Answer: We are currently working on new regulations which will hold the meter manufacturers accountable and liable for meter deficiencies in security. We held our first meeting with the meter manufacturers on February 24, 1994, to discuss these new regulations. We have a second meeting scheduled for May 13, 1994. We plan to have new regulations in place by August 1994.

Question: Many of the Postal Service's planned initiatives to combat meter fraud will take years to fully implement. Do you believe the initiatives will adequately address the meter fraud problem or will meters always be a potential source of revenue loss?

Answer: We feel our planned initiatives will help bring meter fraud under control. We never expect to completely eliminate all meter fraud, only to develop ways to make it more difficult to cheat on postage meters and easier for the Postal Service to detect this fraud, once it is committed.

AIR TRANSPORTATION ISSUES

Question: The Postal Service implemented a new air contract on March 12, 1994. The scheduled airlines have expressed, and continue to express, disappointment in the lower rate that the Postal Service established for this contract. I understand that the rate methodology used by the Postal Service to determine this rate has been challenged in an independent study that was conducted at the request of the Air Transport Association and that the rate methodology is currently under review. Is this correct? If so, what is the status of this review?

Answer: The lower rate is a result of comprehensive market analyses performed by a group of aviation accounting consultants. This rate reflects the rates paid in the commercial freight market and the Postal Service's position as the largest single user of cargo space on commercial airlines.

The new air system contract emphasizes the Postal Service's demand for high quality service. This is not new. The Postal Service demands a high level of performance from all of its suppliers, and transportation suppliers are no different. The Postal Service has not added emphasis on service; rather, we have determined a different way to measure the quality of service we receive from our commercial air transportation suppliers. The airlines are contractually required to transport the mail on the flights specified on Postal Service routing instructions. This is the same requirement that existed in previous contracts for the air transportation of mail and under the CAB when air transportation was regulated by the Federal Government. The measurement system will allow the Postal Service to differentiate and assign mail volume based on the level of service being provided.

The development of the Performance Measurement System began in September 1991 with a task force comprised of Postal Service and airline executives. This task force determined that the commercial airlines had the capacity and the schedules to meet a large percentage of the Postal Service's requirements. The task force also determined that the Postal Service should reward top performing airlines with more mail volume.

Question: Have the new Express Mail air hub contracts generated any significant new volumes of Express Mail? Is Express mail losing market share?

Answer: The Eagle Network, by itself, does not generate Express Mail volume. The Eagle Network allows the Postal Service to offer customers next morning delivery of Express Mail. Customers find this service to be attractive and began increasing their use of Express Mail in the 4th Quarter of FY 1993. This volume increase has continued in FY 1994, with Express Mail volume through Quarter 2 of FY 1994 up 6 percent.

The market rate of growth for all overnight services is currently about 10 percent while Express Mail growth through Accounting period 6 of this Fiscal Year is only 6 percent. In Calendar Year 1993, our market share in volume of the overnight market was approximately 8.5 percent.

Question: You have indicated that there is no additional cost in using empty space on the Express Mail hub flights for other mail classes. Considering that the Postal Service is flying a 727 aircraft with far more capacity than is needed for the actual volumes of Express Mail, could you explain how there is no additional cost? Taking into consideration the costs of operating your hub and fleet of aircraft with your stated excess capacity, are the Express Mail rates below what they should be to allow the Postal Service to compete with the private sector?

Answer: In the short run, on any given day, there may be excess capacity for hub flights which can be used at little or no additional cost. In the long run, however, increases or decreases in Express and Priority Mail volumes will require increase or decreases in hub flight capacity for which those classes should, and do, pay the cost.

As explained above, Express Mail pays its fair share of hub flight costs and there is no cross subsidy of Express Mail by other classes. Thus, Express Mail competes fairly in the market place.

Question: Is the Express Mail air network essential for your Priority Mail product? Could Priority Mail be transported on the commercial air transport system at lower costs? How much of the total volume of mail transported on the Express Mail air network is not Express Mail?

Answer: The Eagle Network provides air transportation of Priority Mail during hours of night when commercial air transportation is not available. Although the destination core cities on the Eagle Network could be served by later arriving commercial flights, the use of the Eagle Network affords the Postal Service additional time through earlier arrivals at the destination airport in which surrounding areas and cities can be reached by surface transportation moving Priority Mail and other classes of mail. If later arriving commercial flights were used in lieu of the Eagle Network, Priority Mail destined to many of these cities and areas would often have to transfer at major commercial air hubs in order to reach the final destination in a shorter time period, thereby increasing the risk of service failure.

Finally, commercial airlines do not have adequate capacity during seasonal peaks, such as Christmas, to accommodate Priority Mail. Daily use of the Eagle Network for approximately 8 percent of the Priority Mail volume allows for rapid expansion of that service during times when commercial air cannot handle our product. This approach provides a good business balance between service and cost and is most advantageous to the Postal Service.

Questions Submitted by Senator Paul Coverdell

Question: The Postal Service has suggested that it has the legal authority to search the premises of businesses and private persons in the general statutory provisions authorizing the Postal Service to investigate postal offices. On the other hand, the statute (39 USC 603) that provides for explicit search authority by the Postal Service is carefully limited to certain specific situations, none of which include the search of private businesses and persons. Is it the position of the Postal Service that it has the authority to conduct searches of businesses and private persons beyond the scope of their authority granted in 39 USC 603?

Answer: The Postal Inspection Service does not search businesses or people without a search warrant. No searches have been conducted to enforce the Extremely Urgent Letter Suspension. Under the express terms of that suspension, those who elect to use it are bound to show the Postal Service, on request, that they are complying with it. Ordinarily this is done by showing records establishing that the "\$3.00 or twice the postage" rule was met. If not, the company may show that the materials it sends are not letters, or that they are letters which lose their value if not delivered within the established time frame, and that the service purchased is a same-day or overnight service which gets them there within the time limits. If the company is not willing to comply with these terms of the suspension, the Postal Service may bring an action before the Judicial Officer to revoke the suspension as to that company. The authority for prescribing the terms of the suspension is in 39 U.S.C. 601, which requires the payment of postage on letters sent outside the mails, but authorizes the Postal Service to suspend that requirement as it finds the public interest requires. The Postal Service could have included licensing or reporting requirements as a condition of the suspension, but chose instead to require only that supporting documentation be provided on request.

Question: If so, what are the legal bounds of such authority? Can the Postal Service use all the investigative techniques of police officers? Interviewing witnesses, surveillance, wiretaps, random checks?

Answer: This question appears to refer to criminal enforcement measures. The Private Express Statutes include several criminal provisions, 18 U.S.C. 1693-1699. The last criminal conviction was in 1976. United States v. Black, 418 F. Supp. 378 (D. Kan. 1976), aff'd, 569 F.2d 1111 (10th Cir.), cert. denied, 435 U.S. 944 (1978). Under 18 U.S.C. 3061, "Postal Inspectors and other agents of the Postal Service designated by the Board of Governors to investigate criminal matters related to the Postal Service and the mails" have, with respect to postal offenses, the same general authority as other federal law enforcement personnel.

Question: Please provide any legislative history that illuminates the Congressional intent to authorize the Postal Service to conduct searches of private businesses and persons, whether by means of specific statute (39 USC 603) or the more general statutes.

Answer: As mentioned in answer to the first question, the Postal Service has not conducted any searches of private premises to enforce the Extremely Urgent Letter Suspension. The suspension does not require a business to consent to a search. It does require users of the suspension to document their compliance with it upon request. The statute which authorizes the Postal Service to set the terms of any suspension, 39 U.S.C. 601, was adopted many years before the Postal Service began the practice of relaxing application of the statutory requirements through regulatory suspensions under that section. While Congress has not had the occasion to provide any formal legislative history in the context of the Extremely Urgent Letter Suspension, the procedural and other terms of that suspension were adopted in a very public way, involving both Congressional and public input through a public rulemaking and extensive Congressional

hearings. See Private Express Statutes, Hearings before the Subcomm. on Post Office and Civil Service, House of Representatives, 96th Cong., 1st Sess. (1979).

Question: How much money has the Postal Service collected from enforcement of 310.5 since 1970? How much money has the Postal Service collected from "alternative postage agreements" in that same time?

Answer: Since the real measure of the success of any enforcement program is prevention, and we cannot know exactly how many billions of dollars in revenues have been kept in the postal system because the Private Express Statutes are there and are enforced and obeyed, the full answer to this question is not available. Looking only at postage collected from those who have been investigated is just the tip of the iceberg. For 1989 through 1994, the amount of postage under these agreements is \$1,204,925. These figures do not include firms opting to apply postage to mail pieces under 39 U.S.C. 601(a), and we do not have records or any method to identify the amounts of postage paid in that way.

Question: Section 1696(b) of the Criminal Code establishes a fine of \$50 for the use of an illegal private express. Does the Postal Service agree that only the Department of Justice may charge a person under this provision and seek judicial enforcement? Alternatively, does the Postal Service believe it has the authority to enforce this provision as well?

Answer: Under 39 U.S.C. 404(7) and 18 U.S.C. 3061, the Postal Service has the authority to investigate postal offenses, including this one, and to refer matters to the Attorney General for consideration of prosecution. Only the Attorney General, however, may initiate a prosecution. The courts have ruled in general that the Postal Service does have authority to enforce the Private Express provisions of title 18 by rulemaking, Associated Third Class Mail Users v. United States Postal Service, 440 F. Supp 1211 (D.D.C. 1977), *aff'd*, 600 F.2d 824 (D.C. Cir.), *cert. denied*, 444 U.S. 837 (1979); and by suit for injunction, United States Postal Service v. Brennan, 574 F.2d 712 (2d Cir. 1978), *cert. denied*, 439 U.S. 1115 (1979).

Question: As a practical matter, are there any situations in which postal inspectors discover that someone is using an illegal private express but are unable to identify or locate the private express itself. If so, please explain.

Answer: The problem is not so much the one described, but situations in which the Postal Service discovers that someone is illegally using a legitimate private express company to send letters that are not exempt or covered by a suspension. Under the rules the private carrier has a responsibility to inform its customers of the regulations and to refrain from carrying a shipment when the form of the shipment or any other information indicates it is not lawfully subject to private carriage. 39 C.F.R. 310.4. Many times, nevertheless, only the sender may know whether the contents of an envelope include letters, or whether they will lose their value if not delivered on time. If enforcement against the sender in such a case were not permitted, then the Postal Service could find it necessary to change some of its rules, including the Extremely Urgent Letter Suspension, to define eligibility more narrowly in terms of delivery times, price, or similar matters fully disclosed to or known by the carrier.

Question: When "auditing" private businesses for their use of the "Urgent Letter" suspension, do postal inspectors second guess customers as to what is "urgent" or do they apply more objective criteria?

Answer: What anyone -- an inspector or even the shipper -- thinks about the subjective urgency of a particular letter is irrelevant to whether it qualifies for the Extremely Urgent Letter Suspension. To qualify for the suspension, a letter must meet one of two tests. If the price paid for private carriage is \$3.00 or twice the applicable postage, then it qualifies, period -- how urgent it is does

not matter. The remarkable growth of the private expedited delivery industry occurred under the umbrella of this test. When customers pay less than that, the letter will qualify for the suspension only in very limited circumstances. Delivery must be completed within a tightly-defined time frame varying with distance, and the value of the letter in an objective sense must be lost even if delivered only a little late -- for example, news copy that will miss the press run if not delivered within the limit. What the customer (or an auditor) subjectively thinks about the urgency or importance of the letter or of using an alternative to the Postal Service makes no difference, except to the extent it motivates the sender to spend \$3.00 or twice the postage to get it there. If the Postal Service had adopted an "urgency in the eyes of the sender" suspension, it might as well have suspended the Private Express Statutes in their entirety, because people do not want to use a private carrier unless they have important business reasons from their own perspective for looking elsewhere than the postal system. In cases where there is any doubt, either the shipper or an Inspector may obtain an official advisory opinion from the Postal Service General Counsel.

Question: If, as seems to be the case, the Department of Justice has seldom or never enforced this provision against users of private express, preferring to go after the private express themselves, what is the practical danger to repealing a law that is so rarely enforced anyway?

Answer: The danger is that law-abiding citizens would be free to ignore the Statutes, and to enclose in envelopes virtually any letters they want to send, leaving large established private carriers unable to tell (and with little incentive to learn) whether particular items tendered to them are letters or not. After all, Congress has delineated the restrictions on private carriage in content-driven terms ("letters"), and typically only the sender knows the contents of an envelope, whether it is given to the Postal Service or to a private carrier. There is something fundamentally wrong with defining as a criminal offense the conduct of only one party to a commercial transaction, and at that, the party with less access to determinative facts. In our observation, the reason that private couriers rather than their customers more typically turn up as defendants to enforcement suits, is that most shippers, who are also customers of the Postal Service, want to comply with the law when it is pointed out to them. A few entrepreneurs, seeking to establish or enlarge their business, have been willing to take greater legal risks.

Question: On what economic basis does the Postal Service maintain that the proposition of affordable universal postal service requires the maintenance of a legal postal monopoly? Are there any studies by recognized economists supporting this position?

Answer: The proposition is one which has been established and maintained by the Congress and by the laws of the United States, not just the Postal Service. In general, the economic rationale is known as "cream skimming." As a financially self-supporting uniform national service with uniform rates, the postal system incurs costs and service obligations which do not directly pay for themselves. Within its overall network it must average its costs and services in many ways. Profitmaking competitors, in comparison, would be free to "skim the cream" by offering either lower rates or better service selectively as they find most profitable, emphasizing bulk transmissions and comparatively dense or easily-served routes. As this kind of competition takes away letter mail revenues, those customers still depending on the postal system would face higher prices, and the financial viability of universal service would be threatened.

In the Postal Reorganization Act, Congress directed the Board of Governors to study and report back on the future of the Private Express Statutes. Their report, with the economic studies they commissioned, was published in 1973. The Private Express Statutes and Their Administration: A Report by the Board of Governors to the President and the Congress, Pursuant to Section 7 of the Postal Reorganization Act (June 29, 1973). The recommendations of this report led, after consideration in Congress and in public rulemaking proceedings, to the regulatory suspensions of the Statutes, eventually including the Extremely Urgent Letter Suspension.

Question: On what economic basis does the Postal Service assert the proposition of affordable universal postal service requires the enforcement of the Private Express Statutes against users of private express. Are there any studies by recognized economists supporting this position?

Answer: We see this as more a matter of effective enforcement of the law than as one of economic theory. A business transaction typically needs both a seller and a buyer. If the transaction is illegal, enforcement ought to be more effective when applied against both parties, or whichever party is chargeable with knowledge of the facts which make the transaction unlawful.

Question: What is the statutory authority for the Postal Service's "suspensions" of the postal monopoly?

Answer: Section 601 of title 39, United States Code, provides as follows:

§ 601. Letters carried out of the mail

(a) A letter may be carried out of the mails when—

- (1) it is enclosed in an envelope;
- (2) the amount of postage which would have been charged on the letter if it had been sent by mail is paid by stamps, or postage meter stamps, on the envelope;
- (3) the envelope is properly addressed;
- (4) the envelope is so sealed that the letter cannot be taken from it without defacing the envelope;
- (5) any stamps on the envelope are canceled in ink by the sender; and
- (6) the date of the letter, of its transmission or receipt by the carrier is endorsed on the envelope in ink.

(b) The Postal Service may suspend the operation of any part of this section upon any mail route where the public interest requires the suspension.

As you know, on March 9, the Senate unanimously passed an amendment sponsored by myself, Chairman Pryor and Senator Murkowski asking the Postal Service to suspend audits against private shippers until the Congress receives and considers a GAO study on the matter requested by Senator Pryor.

Question: As the will of the Senate is clear on this matter, are you complying with this request?

Answer: The Postal Service will do what Congress says it wants us to do. After all, the Private Express Statutes are there because the Congress enacted them, to make it possible to provide the kind of national postal system that serves every community the same, whether that makes a profit in some places or not. Businesses do not do that. Their job is to earn the greatest return they can for their shareholders. If at some point Congress should decide that the Private Express Statutes are outdated, or need to be watered down, then we will have to adjust to that. The marketplace will adjust whether we do or not. I do not believe that the universal service concept and the monopoly ought to change, but if the law changes then we will abide by it. Until then it would not be responsible to give an ironclad commitment that we will not enforce the law regardless of the circumstances. I have taken an oath to uphold it. Right now we are getting organized to do more educating and helping our customers up front, so I do not think you will see audits on any great scale.

Question: What do you hope to accomplish by these audits?

Answer: We want to help people understand and comply with the law.

Question: Could you please explain why government entities are "educated" when found to be in violation, while private companies are fined?

Answer: We educate private companies too, and we are going to be doing more of it. We have not fined anybody. We have signed some agreements to let people send letters outside the mail when they are not entitled to do so, unless they pay postage. The law provides for that, in section 601 of Title 39. Without such an agreement, they could not have lawfully continued to do what they were doing. If the Government wants to sign an agreement like that, we will give them the same opportunity. We have not ruled out collecting postage from them.

Question: How do you determine which businesses you will audit? Certainly there must be some basis for you to believe a certain business is not in compliance. What sources give you that basis?

Answer: The people who use private delivery firms are our customers too. They give us a lot of mail to deliver, and they give some to the private couriers. Our people work with them very closely. Sometimes they ask us what is lawful or not. Sometimes they tell us they want to give some of the letter business we have been getting to a private carrier. Sometimes our employees notice that is what they seem to be doing. There are a great many ways that potential problem situations can be identified. We need to do a better job following up first by educating and helping our customers comply. Their first contact should not be a postal inspector.

Question: If "voluntary" consent is not obtained by the business, is it your view that the Postal Service has the specific statutory authority to "audit" private businesses in an attempt to enforce the Private Express Statutes?

Answer: Not without a subpoena or a warrant.

Question: If a business refuses to be audited, and insists that a warrant be issued, what will the reaction be of the Postal Service?

Answer: I assume here you are talking about somebody who has had the rules explained to them, who has had our people offering to help them, but is taking the attitude that they are not going to comply with the regulations by coming forward with any verification that their practices meet the terms of the suspension. We do not get many of those now, by the way. In a situation like that, the rules provide that the Postal Service may initiate a legal proceeding before the Judicial Officer to revoke the suspension as applied to that shipper. At that point the shipper would need to come forward with records or other evidence demonstrating its compliance with the terms of the suspension, or else risk losing its benefit. A revocation would be appealable to the courts.

Question: Will you please provide a list of the businesses "audited" by the USPS over the past five years?

Answer: We have provided some information on this to you and your staff, but prefer not to violate our customer's confidentiality by placing their names in the record of a public hearing.

Question: Will you please provide the total annual cost to the Postal Service to conduct these audits?

Answer: For FY 1993, the Inspection Service expended an estimated 2,800 total hours, for a total cost of \$197,000, on all audits that covered Private Express compliance.

Questions Submitted by Senator Cohen

Question: Could you explain exactly what you mean when you say that postal inspectors will "no longer take the lead" in initiating audits against private businesses and individuals who are suspected of violating the Postal Service's monopoly on the delivery of certain first class letter mail? You have stated that "where called for, marketing professionals will meet with customers to explain the laws and regulations and offer help to serve mailers needs." Is this what the Postal Service has been doing when it has discovered the federal government is in violation of the Private Express Statutes? Does this mean that the Postal Service will only seek to educate businesses about these violations and not financially penalize these companies?

Answer: First of all, we have to recognize that these businesses and individuals we are talking about are our customers. They send a lot of mail through us. We have a responsibility to help them understand what the rules are and if necessary to help them come into compliance with the rules. We have not done a good enough job of that. There is no good reason why the first contact one of our customers should get from us on this should come from a postal inspector. Our marketing people ought to be in there helping their accounts understand and comply with all of our requirements. (Incidentally, we deliver a lot of third-class advertising letters and they are covered by the monopoly too.) The same help is due our federal-sector customers. We have not set out to treat them any different on enforcement, but they are bigger and maybe we have been slower to follow up on the initial broad-brush review with them and get down to particular cases. We have not set out to punish anybody with these postage agreements, but just to apply the law. Congress has said in section 601 of our statute that you have to pay postage if you send a letter outside the mail, if you don't qualify for a suspension. I don't know that we can responsibly ignore that provision. The postage agreements we have negotiated with companies have allowed them to continue sending letters by private carrier, paying us postage as this section intends. If we did not sign such an agreement, we would have to tell them they cannot do it, they have to use the Postal Service. Otherwise, permitting them to continue without paying postage would simply give away the monopoly. And we cannot do that because it is the law, and because it is the foundation for the type of universal postal system that Congress has set up to assure equitable treatment for people in all parts of this country.

Question: There has been a lot of talk about the Postal Service's new logo. What is the rationale for the new logo and how much will it cost? How does the Postal Service justify this in view of the fact that the Postal Service is facing a deficit of at least \$1.3 billion for perhaps just over \$1.7 billion this fiscal year?

Answer: The Postal Service is changing to meet the challenges of being a key provider of communications services in the 21st century. As a visual confirmation of these changes, we have changed our corporate identity. According to market research, this change has the power to affect customers' and employees' behaviors. Focus groups indicated that the new logo would entice customers to purchase postal services and products, even to "give us a second chance," and employees felt it was representative of the cultural changes we are making.

Our estimated cost of a transition to the new corporate identity over the next 7 years is \$6.6 million. We felt a phased-in incremental rollout would be the most cost effective by allowing post offices throughout the country to deplete their supplies of existing stationary and other miscellaneous supplies that bear the old logo. We believe our approach to this change is businesslike and fiscally responsible. This change is the visual confirmation of what we have accomplished in the last two years and helps position us for the future.

Question: You have stated that the Postal Service is planning a significant restructuring of classes of mail. Please detail steps the Postal Service has taken in the planning process to

assure that small businesses and ordinary citizens would not bear the brunt of any cost increases associated with reclassification?

Answer: The Postal Service has been working with a 100-member mailer committee for more than a year in the design of reclassification proposals. This committee includes representatives from individual companies and government agencies, as well as associations that represent smaller businesses or governmental mailers.

A major reason for embarking on the classification reform process is that our products and prices are not as competitive as they should be. We are losing volume and market share to alternate delivery modes, both hard copy and electronic, even in product areas that are covered by the Private Express Statutes.

Our declining share of business volume has been especially serious. This volume currently supports a large part of our infrastructure costs, and without it, postage rates for consumers would skyrocket. With classification reform, we are trying to not only keep this vital business volume, but increase it over time, so that we can continue to provide low prices to the American public. In addition to these implicit benefits, we are also exploring concepts that would provide explicit advantages for consumers.

Question: Is it true that certain second class mailers, namely community newspapers, will see a higher percent increase in mail rates than other classes of mailers and if so what is the reason? Have you given careful consideration to the effects of this proposal on our nation's mail, rural newspapers? I further understand that the library rates will increase 74 percent under this proposal? Is that correct and if so please provide me with the rationale for this decision.

Answer: Postal Service ratemaking data systems indicate that the volume of second-class in-county mail has declined and its processing costs have increased at higher than normal rates between FY 1989, the base year of the most recent rate case (Docket No. R90-1), and FY 1993, the base year of the current rate case, Docket No. R94-1. Consequently, the estimated unit attributable costs for that mail have increased at a higher-than-normal rate. As required by 39 U.S.C. 3622(b)(3), these unit attributable costs serve as the foundation on which rates for these preferred mail categories are calculated under the terms of section 3626(a).

Because of an undetected error in previous estimates of its attributable costs, fourth-class library rate mail received only a 1 percent increase in rates in Docket No. R90-1. Because of the magnitude of the error, the requirement in section 3622(b)(3) that the rates for all mail classes must at least cover their attributable costs, and the formula in section 3626(a) for calculating cost coverages for preferred-rate categories, we are compelled to propose a 74 percent rate increase for fourth-class library rate mail in Docket No. R94-1.

We are concerned about the impact of the increases we have proposed. For this reason we have met with representative second-class in-county and library rate mailers. We have undertaken a review of our costing data systems to re-evaluate the data underlying our current rate proposals. If errors are detected, necessary corrections will be made.

Question: Could you describe the Postal Service's manufacturing, distribution, marketing, and sale of personalized printed envelopes? The Postal Service's literature advertising this service states that personalized printed envelopes from the Postal Service "cost little more than regular postage" and that "envelopes will be delivered to customers postage paid." How does the Postal Service afford to provide envelopes at such a low cost to consumers? What portion of the Postal Service's annual revenue does this constitute? What, if any, effect does this service have on private printers? Is the Postal Service competing with private industry printers to provide this

service to customers? Could you provide me with the number of stamped envelopes the Postal Service sells in Maine each year?

Answer: Plan stamped envelopes have been provided under contract by private firms since the former Post Office Department introduced the product in 1853 as a convenience to customers. As an added convenience, personalized stamped envelopes (with a preprinted return address) were introduced in 1860. The Postal Service purchases all stamped envelopes through a competitive procurement process with award to a single supplier. The competitive process allows us to obtain the lowest possible price from qualified suppliers, which allows us to provide these envelopes to our customers at a cost that is a little more than regular postage.

It should be noted that the Postal Service does not compete with private sector envelope printers because we are not in the envelope manufacturing or printing business. We purchase these envelopes from a private-sector supplier in order to make stamped envelopes available to postal customers. Consequently, we are customers of the envelope industry—not competitors.

As mandated by the Postal Reorganization Act of 1971, postal envelope prices cover both direct and indirect costs of material, labor, and shipping costs, plus a portion of institutional costs that can reasonably be attributed to the product. Like postage stamps, the cost to the public for this product is determined by the Postal Rate Commission.

From September 1992 to August 1993, the Postal Service sold approximately 5,584,000 personalized envelopes in Maine. From September 1993, through February 1994, approximately 2,450,000 have been sold.

Question: In my statement I describe two instances where letters sent to my constituents were returned to me seven and eight months after being sent and three and four months after RECOLL provided the Postal Service with a change of address. I am very concerned by these incidents and would like you to provide me with information on why it takes so long for letters to be returned?

Answer: Without having the actual letters to examine, it is not possible to determine exactly what caused the situation you describe to occur. Our employees do make mistakes; however, we make every possible effort to deliver mail quickly and correctly.

Question: The postal rate increase proposal, which is currently before the Postal Rate Commission, includes planned savings of over \$5 million due to a reduction in the number of postmasters. Please provide a detailed explanation of the Service's plans for the closing and consolidating of post offices in rural areas.

Answer: At present, there are no broad-based plans to wholesale close and/or consolidate post offices in rural areas. The Postal Service will continue to pursue means to improve services in rural communities while minimizing waste and redundant costs in rural areas as postmaster vacancies occur. The Postal Service typically studies the operations of a post office for closing and/or consolidation when a postmaster vacancy occurs. The Postal Service does have a process in place to discontinue and/or consolidate an office in which public comments are solicited throughout the process. Any decision to close or consolidate a post office must consider certain factors mandated by law, under Section 404(b) of United States Code Title, 39. Each case is reviewed on an individual basis and is judged by its own merit. The Postal Service estimates that approximately 200 post offices will be closed and/or consolidated in FY 1994. The \$5 million estimate due to a reduction in postmasters is based on historical averages and is not tied to any specific locations.

Questions Submitted by Senator Sasser

Question: There appears to be a consensus that in some areas of specialty, the Postal Service's downsizing worked too well--people with needed skills and experience left and ironically, it has been necessary to hire additional part-time and/or temporary help to get the mail delivered. Please give specific figures on part-time and temporary hiring by broad categories (e.g., mail handling, supervisor, letter carrier) both currently, and for the year preceding the start of downsizing. Include numbers of such employees, average frequency and duration of employment (e.g., "two days a week" for part-time, or "four months" for temporary, etc.), and the expense to the Postal Service of retaining such help. Finally, please discuss any projections you may have developed of future trends in the need for part-time and temporary help, such as whether you anticipate a decrease, and the basis for such projections.

Answer: Attached are the numbers of employees hired by various employee categories for two specific periods of time. The first, is the year preceding restructuring, July 1991, to July 1992. The second is from December 1992, through April 1994 which represents the time period from implementation of restructuring to the present.

In response to the question regarding the expense of retaining such help, attached is our Fiscal Year 93 accounting period report which summarizes these costs. However, we do not make future projections for part-time help as our existing labor contracts provide us with the necessary flexibility in meeting our labor needs.

HUMAN RESOURCES INFORMATION SYSTEMS
PRE-RESTRUCTURE ACCESSIONS REPORT
DATA FROM PP1791 THRU PP1692
PROGRAM SAB0094

POSITION	TOTAL
City Carriers	Cas
City Carriers	FIR
City Carriers	PIF
City Carriers	Trn
Clerks	Cas
Clerks	FIR
Clerks	PIF
Clerks	Trn
Mail Handlers	Cas
Mail Handlers	FIR
Mail Handlers	PIF
Mail Handlers	Trn
Mnt Svcs Admin	Cas
Mnt Svcs Admin	FIR
Mnt Svcs Admin	PIF
Mnt Svcs Bldg	Cas
Mnt Svcs Bldg	FIR
Mnt Svcs Bldg	PIF
Mnt Svcs Bldg	Trn
Mnt Svcs Opers	Cas
Mnt Svcs Opers	FIR
Mnt Svcs Opers	PIF
Mnt Svcs Plant	Cas
Mnt Svcs Plant	FIR
Mnt Svcs Plant	PIF
Mnt Svcs Plant	Trn
Nurses	Cas
Nurses	FIR
Nurses	PIF
Reg Rural Car	Cas
Rur Assoc Car	FIR
Rur Relief Repl	Cas
Special Delivery	FIR
Special Delivery	PIF
Special Delivery	Trn
Veh Operators	Cas
Veh Operators	FIR
Veh Operators	PIF
Veh Operators	Trn
Veh Svcs Garage	Cas
Veh Svcs Garage	FIR
Veh Svcs Garage	PIF
Veh Svcs Garage	Trn
Veh Svcs Maint	Cas
Veh Svcs Maint	FIR
Veh Svcs Maint	PIF
Veh Svcs Maint	Trn
Veh Svcs Mechan	Cas
Veh Svcs Mechan	FIR
Veh Svcs Mechan	PIF
Veh Svcs Mechan	Trn
TOTAL	128,798

HUMAN RESOURCES INFORMATION SYSTEMS
POST-RESTRUCTURING ACCESSIONS REPORT
DATA FROM PP252, TRU PP0894
PROGRAM SA00094

POSITION	TOTAL
City Carriers	10,889
City Carriers	29
City Carriers	1,229
City Carriers	15,297
City Carriers	43,294
Clerks	3,234
Clerks	555
Clerks	11,828
Clerks	12,739
Clerks	2,711
Clerks	12
Clerks	1,052
Clerks	1,622
Clerks	38
Clerks	158
Clerks	6
Clerks	184
Clerks	4
Clerks	99
Clerks	36
Clerks	2,907
Clerks	1,393
Clerks	5,240
Clerks	1,232
Clerks	1,56
Clerks	1
Clerks	4
Clerks	508
Clerks	372
Clerks	132
Clerks	19
Clerks	2
Clerks	3
Clerks	5
Clerks	2
Clerks	50
Clerks	35
Clerks	12
Clerks	1
Clerks	5
Clerks	116,173



FINANCIAL & OPERATING STATEMENTS

Accounting Period 13, PFY 1993
August 21 - September 17, 1993

Finance

STATEMENT OF INCOME & EXPENSE
(\$ MILLIONS)

<u>Accounting Period 13</u>					<u>Year-To-Date</u>			
\$ Variance/% Change					\$ Variance/% Change			
<u>Actual</u>	<u>Var.</u>	<u>Plan</u>	<u>SPLY</u>		<u>Actual</u>	<u>Var.</u>	<u>Plan</u>	<u>SPLY</u>
\$3,667.1	\$62.9	1.7%	2.9%	Operating Revenue	\$47,773.8	\$754.3	1.6%	3.0%
				Unreimbursed Revenue				
(24.0)	(24.0)	—	—	Forgone **	(318.0)	(318.0)	—	—
3,643.1	38.9	1.1%	2.2%	Net Operating Revenue	47,455.8	436.3	0.9%	2.3%
3,947.5	251.5	6.8%	5.7%	Operating Expense	47,419.4	835.1	1.8%	3.9%
				Income				
(\$304.4)	(\$212.6)	—	(\$133.9)	From Operations	\$36.5	(\$398.7)	—	(\$732.4)
				Investment Income/				
20.2	(20.6)	-50.5%	-39.2%	Capital Gains	416.9	(0.1)	—	4.7%
(60.1)	11.2	-15.7%	-4.1%	Interest Expense	(806.6)	43.8	-5.2%	6.0%
				Income (Loss) Before				
				Extraordinary Item				
(\$344.3)	(\$222.0)	—	(\$144.3)	and OBRA 1993 Expense*	(\$353.2)	(\$355.0)	—	(\$759.4)

* Does not include extraordinary expense of \$536.5 million related to debt refinancing which occurred on November 12, 1992. Also does not include \$857 million additional health benefit and COLA costs mandated by OBRA 1993. Year-to-date net loss, including these costs, is \$1.747 billion.

** Reflects effect of Revenue Forgone Reform Act of 1993, which defers payment of revenue forgone earned in 1993. Net effect is a reduction of \$318 million from our original appropriation request.

MAIL VOLUME - MAIL REVENUE
(000'S)

	CURRENT PERIOD			YEAR-TO-DATE		
	A/P 13 1993	A/P 13 1992	% CHANGE	A/P 13 1993	A/P 13 1992	% CHANGE
FIRST-CLASS						
VOLUME	6,759,345	6,703,482	0.8	91,669,504	90,064,988	1.8
REVENUE	\$2,116,590	\$2,093,655	1.1	\$28,668,508	\$28,072,447	2.1
REV/PC.	0.3131	0.3123	0.3	0.3127	0.3117	0.3
PRIORITY-MAIL						
VOLUME	48,433	43,343	11.7	660,293	578,655	14.1
REVENUE	\$168,682	\$148,461	13.6	\$2,289,600	\$2,052,641	11.5
REV/PC.	3.4828	3.4253	1.7	3.4676	3.5473	-2.2
EXPRESS MAIL						
VOLUME	4,027	3,953	1.9	52,199	52,889	-1.3
REVENUE	\$47,751	\$47,121	1.3	\$624,980	\$635,678	-1.7
REV/PC.	11.8577	11.9203	-0.5	11,9730	12.0191	-0.4
SECOND-CLASS						
VOLUME	773,604	811,274	-4.6	10,121,926	10,250,122	-1.3
REVENUE	\$130,346	\$134,587	-3.2	\$1,720,648	\$1,722,664	-0.1
REV/PC.	0.1685	0.1659	1.6	0.1700	0.1681	1.1
THIRD-CLASS						
VOLUME	5,553,330	5,304,682	4.7	65,505,633	62,060,864	5.6
REVENUE	\$836,582	\$799,301	4.7	\$9,781,677	\$9,417,128	3.9
REV/PC.	0.1506	0.1507	-0.0	0.1493	0.1517	-1.6
FOURTH-CLASS						
VOLUME	61,148	67,558	-9.5	732,846	758,525	-3.4
REVENUE	\$90,652	\$86,060	5.3	\$1,177,732	\$1,178,418	-0.1
REV/PC.	1.4825	1.2739	16.4	1.6071	1.5536	3.4
INTERNATIONAL						
VOLUME	65,269	57,723	13.1	872,143	784,830	11.1
REVENUE	\$109,292	\$94,795	15.3	\$1,368,032	\$1,270,246	7.7
REV/PC.	1.6745	1.6422	2.0	1.5686	1.6185	-3.1
ALL OTHER						
VOLUME	40,379	35,453	13.9	607,711	606,166	0.3
REVENUE	\$1,567	\$1,105	41.8	\$24,189	\$24,787	-2.4
REV/PC.	0.0388	0.0312	24.5	0.0398	0.0409	-2.7
ALL MAIL						
VOLUME	13,305,535	13,027,468	2.1	170,222,655	165,157,039	3.1
REVENUE	\$3,501,462	\$3,405,085	2.8	\$45,655,366	\$44,374,009	2.9
REV/PC.	0.2632	0.2614	0.7	0.2682	0.2687	-0.2

Revenue by Source

AP 13, FY 93
(\$ In Millions)

<u>Current Period</u>			<u>Year-To-Date</u>			
<u>ACTUAL</u>	<u>SPLY</u>	<u>% Change</u>		<u>Actual</u>	<u>SPLY</u>	<u>% Change</u>
<u>Operating Revenue:</u>						
\$1,542.7	\$1,498.6	2.9	Metered Postage	\$20,792.8	\$20,378.0	2.0
716.9	713.5	0.5	Stamps and Stamped Paper	10,001.1	9,816.7	1.9
850.5	802.4	6.0	Permit Imprint	9,851.3	9,324.2	5.7
135.7	141.1	-3.8	Second Class	1,804.0	1,802.9	0.1
77.7	69.3	12.1	Official Mail	986.9	1,039.1	-5.0
			Presort First and Fourth Class Permit Imprint Mail			
174.2	151.1	15.3		2,240.3	2,003.2	11.8
36.8	37.5	-1.9	Box Rents	478.4	456.3	4.8
33.9	32.6	4.0	Money Order Fees	165.1	153.1	7.8
65.4	75.7	-13.6	Other	958.0	878.4	9.1
<u>3,633.8</u>	<u>3,521.8</u>	<u>3.2</u>	Revenue from Operations	<u>47,277.9</u>	<u>45,851.9</u>	<u>3.1</u>
<u>Government Appropriation:</u>						
33.3	42.6	-21.8	Revenue Forgone Earned	495.9	543.1	-8.7
(24.0)	-	-	Unreimbursed Revenue Forgone	(318.0)	-	-
<u>3,643.1</u>	<u>3,564.4</u>	<u>2.2</u>	Net Operating Revenue	<u>47,455.8</u>	<u>46,395.0</u>	<u>2.3</u>
<u>Investment Activity:</u>						
16.5	31.0	-46.8	Interest Income	242.9	342.5	-29.1
3.7	2.2	68.2	Capital Gains/(Loss)	174.0	55.8	-
<u>\$3,663.3</u>	<u>\$3,597.6</u>	<u>1.8</u>	Total Revenue	<u>\$47,872.7</u>	<u>\$46,793.3</u>	<u>2.3</u>

Analysis of Operating Expenses
Personnel Compensation
(Millions)

<u>Accounting Period 13</u>			<u>Description</u>	<u>Year-to-Date</u>		
<u>Actual</u>	<u>% Change</u> <u>Plan</u>	<u>SPLY</u>		<u>Actual</u>	<u>% Change</u> <u>Plan</u>	<u>SPLY</u>
			Operations:			
\$22.9	-0.8	1.1	-Support	\$287.1	-2.9	-7.8
707.6	9.1	2.8	-Mail Processing	9,324.9	8.1	2.6
190.8	1.2	7.2	-Rural Delivery	2,454.0	0.0	6.6
865.1	2.1	5.3	-Other Delivery	11,050.6	1.7	3.9
52.9	0.0	9.3	-Vehicles Services	681.8	-0.4	8.0
136.0	1.4	7.1	-Plant & Equip Maint	1,711.2	2.2	2.5
444.0	5.4	8.2	-Customer Services	5,584.6	2.4	3.8
22.6	-2.1	-26.1	Controller	327.2	-3.2	-19.9
22.6	13.4	-21.5	Human Resources	310.5	6.3	-16.3
30.0	1.0	-2.6	Marketing & Commun.	386.7	1.9	-4.7
183.8	-1.9	41.2	Administration	2,376.7	-0.3	39.0
<u>22.2</u>	-0.4	-73.3	Other Salaries & Benefits	<u>306.2</u>	-29.9	-70.2
2,700.5	3.9	3.9	Total Salaries & Benefits	34,801.5	2.7	2.5
72.1	-24.1	-18.9	Workers' Compensation	936.7	-24.1	-13.3
4.0	-21.0	-75.4	Unemployment Compensation	50.6	-22.2	-28.3
			CSRS/FERS Retirement			
151.2	-0.1	2.6	Unfunded Liability	1,965.2	-0.1	2.6
42.0	-5.7	-3.9	CSRS Annuitant COLA	546.6	-5.7	-3.8
66.4	70.2	110.8	Annuitant Health Benefits	637.1	27.0	69.8
<u>57.6</u>	91.4	33.3	Other Compensation	<u>526.1</u>	85.2	72.1
<u>\$3,093.7</u>	4.4	4.1	Total Personnel Compensation	<u>\$39,463.8</u>	2.5	3.1

CAPITAL INVESTMENT
1993
(\$ MILLIONS)

MAJOR CATEGORIES - COMMITMENTS	A/P 13 YEAR - TO - DATE		
	ACTUAL	PLAN	SPLY
CONSTRUCTION AND BUILDING PURCHASE	188.3	1,489.5	675.7
BUILDING IMPROVEMENTS	214.9	328.6	264.4
MAIL PROCESSING EQUIPMENT	634.5	1,289.0	201.1
VEHICLES	66.3	38.5	584.2
RETAIL EQUIPMENT	11.1	25.5	41.7
POSTAL SUPPORT EQUIPMENT	<u>194.5</u>	<u>250.9</u>	<u>157.7</u>
TOTAL COMMITMENTS	1,309.6	3,420.0	1,924.8

MAJOR CATEGORIES - EXPENDITURES	A/P 13 YEAR - TO - DATE		
	ACTUAL	PLAN	SPLY
CONSTRUCTION AND BUILDING PURCHASE	471.0	463.9	922.8
BUILDING IMPROVEMENTS	205.6	200.2	360.9
MAIL PROCESSING EQUIPMENT	516.2	483.1	558.1
VEHICLES	347.7	336.2	338.6
RETAIL EQUIPMENT	2.8	7.3	4.0
POSTAL SUPPORT EQUIPMENT	<u>134.9</u>	<u>110.0</u>	<u>172.2</u>
TOTAL EXPENDITURES	1,678.2	1,600.7	2,356.6

RESOURCES ON ORDER
(\$ MILLIONS)

	September 17, <u>1993</u>	September 30, <u>1992</u>
MAJOR CATEGORIES - EXPENDITURES		
CONSTRUCTION AND BUILDING PURCHASE	328.1	621.1
BUILDING IMPROVEMENTS	175.3	178.1
MAIL PROCESSING EQUIPMENT	478.8	369.2
VEHICLES	361.3	643.1
RETAIL EQUIPMENT	82.0	74.2
POSTAL SUPPORT EQUIPMENT	125.1	71.9
INVENTORIES	183.8	205.8
RESEARCH AND DEVELOPMENT	58.4	91.1
MISCELLANEOUS EXPENSE COMMITMENTS	<u>880.5</u>	<u>910.9</u>
TOTAL RESOURCES ON ORDER	2,673.3	3,165.4

Statement of Financial Position

A/P 13, FY 93

(In Millions)

	September 17, 1993	August 20, 1993	September 30, 1992 *
<u>Liabilities and Equity</u>			
Current liabilities			
Compensation and employees' benefits	\$ 5,039.0	\$ 4,574.0	\$ 3,280.6
Accrued Restructuring Costs	118.6	105.9	1,010.0
Estimated prepaid postage	1,529.4	1,527.1	1,501.0
Payables and accrued expenses			
Foreign countries	611.9	595.5	613.0
U.S. Government	444.3	317.6	313.1
Other	991.6	691.3	300.5
	2,047.9	1,604.4	1,226.6
Appropriation for Free & Reduced Rate Mail	4.3	13.6	0.0
Prepaid permit mail and box rentals	1,233.4	1,191.4	1,045.4
Outstanding postal money orders	613.2	629.5	632.7
Current portion of long-term debt	450.0	750.8	750.8
Total current liabilities	11,035.8	10,396.7	9,447.1
Long-term debt, less current portion	9,768.3	9,448.2	9,173.3
Other liabilities			
Amounts payable for retirement benefits _3/	26,940.9	27,526.2	25,717.1
Workers' compensation claims	4,455.9	5,166.2	4,080.0
Retroactive assessment payable to the U.S. Government	1,946.0	1,946.1	1,088.9
Employees' accumulated leave	1,290.4	1,248.9	1,310.7
Other	328.2	307.6	130.7
	34,961.5	38,195.0	32,327.4
Equity of the United States Government	(5,064.3)	(4,927.8)	(3,283.1)
Total Liabilities & Equity	\$ 50,701.3	\$ 51,112.1	\$ 47,664.7

_3/ Represents the Postal Service's unfunded liability to OPM for increases in basic pay, retiree COLAs and employees who transferred from CSRS to FERS. Amounts applicable to future periods are capitalized as deferred retirement costs and amortized over 30 years for basic pay and FERS, and 15 years for annuitants' COLAs.

WORKHOURS & OVERTIME/SICK LEAVE RATIOS
(Thousands)

Workhours

Accounting Period 13			Total Workhours	Year-to-Date		
% Change				% Change		
Actual	Plan	SPLY		Actual	Plan	SPLY
<u>Operations:</u>						
761	-2.9	-1.2	-Support	9,698	-7.7	-11.7
30,053	12.4	4.5	-Mail Processing	400,926	10.8	2.8
9,546	1.4	3.7	-Rural Delivery	123,768	0.3	3.3
36,549	3.8	4.6	-Other Delivery	472,318	2.8	2.3
2,081	0.4	-2.2	-Vehicles Services	27,317	-0.3	-4.0
5,506	0.0	2.5	-Plant & Equip Maint	71,197	1.9	-1.1
18,907	7.9	7.8	-Customer Services	241,665	4.7	2.6
838	-3.9	-27.9	Controller	12,334	-4.4	-22.7
808	9.8	-23.4	Human Resources	11,286	4.1	-18.2
1,168	-1.6	-4.2	Marketing & Commun.	15,343	1.4	-7.7
6,681	5.2	-2.4	Administration	87,051	4.1	-5.1
<u>961</u>	-8.1	-10.4	Other	<u>13,566</u>	-2.9	-4.2
113,859	6.0	3.5	Total Workhours	1,486,469	4.7	1.1

Overtime

<u>Actual</u>		<u>SPLY</u>		<u>Actual</u>		<u>SPLY</u>
			Overtime Ratio			
10.2	—	8.2	Per 100 Workhours	9.6	—	7.3

Sick Leave

<u>Actual</u>		<u>SPLY</u>		<u>Actual</u>		<u>SPLY</u>
			Sick Leave Ratio			
2.8	—	3.0	Per 100 Workhours	3.0	—	3.1

Question: On a subject related to the preceding question, I have heard from some of my constituents that, since veterans' preferences do not apply to temporary as opposed to permanent hiring, and most of the Postal Service's current hires are temporary, the veterans' preference in hiring is for all practical purposes non-existent at the moment. Do you agree with the accuracy of this assessment? And, if so, can you explain whether and why it would pose any undue difficulty for the Postal Service to extend the preference to temporary hires?

Answer: Veteran's preference applies in all situations in which selections, career and non-career, are made from a general competitive source. This applies to most sources for casual appointments. Our transitional employees must be hired either from our career entrance registers, which recognize veteran's preference, or from the ranks of those successfully completing casual appointments. In addition, we have made a significant number of career appointments over the past year, and veteran's preference is applied in all those selections.

Question: I am also hearing from constituents that postal retirees could, and in many cases would, return to part-time or temporary duty, for example, to help out with the transitional phase resulting from the Postal Service's downsizing, or to help maintain service in localities whose mail volume does not support full-time equivalents. This appears to be a good idea because such retirees are already trained and experienced. However, they are constrained from offering their services for fear that they will forfeit their annuities. In similar circumstances, some jurisdictions have authorized temporary or part-time hiring of retired police officers, without forfeiture of annuities earned from active service, in order to meet public safety demands. Is it possible for the Postal Service to institute a similar provision? If so, do you have any plans to consider such action, and if not, why can you not?

Answer: Annuitants are not, because of their retired status, barred from employment with the Postal Service in any position for which they are qualified. The Postal Service has rehired a small number of annuitants. These reemployed annuitants' salary is offset by the amount of the annuity paid to the annuitant during the period of reemployment, pursuant to 5 USC 8344(a) for Civil Service Retirement System (CSRS) annuitants and to 5 USC 8468 for Federal Employees Retirement System (FERS) annuitants. The Postal Service remits the salary offset to the U.S. Office of Personnel Management (OPM).

A bill was recently introduced by Senator Heflin, S. 1983, the Postal Service Rural Areas Act of 1994, which would provide a measure of relief from any offset in certain limited circumstances. Under the Federal Employees Pay Comparability Act of 1990 OPM may exempt the offset in cases of temporary employment that is necessary due to an emergency involving a direct threat to life or property or other unusual circumstances (beyond normal seasonal fluctuations in workload) or on a case-by-case basis where there is exceptional difficulty in recruiting or retaining a qualified employee. We do not believe that there are any circumstances now that would justify making such a request for an exemption from OPM. In certain limited circumstances, it is possible to contract with an annuitant without a salary offset. (This is different from hiring an employee.) While each case must be analyzed individually, there does not appear to be any way that a salary offset can be avoided in situations where the annuitant directly performs management functions on behalf of the Postal Service or is subject to the Postal Service's day-to-day direction and control.

We do not anticipate any change in Postal Service policy regarding reemployed annuitants unless there is a change in the governing statutes. However, we do favor such a change as it will allow us to provide better mail service.

Question: There has recently been publicity about the Postal Service's practice of sending its inspectors to the premises of mailers who utilize private express carriers. It is my understanding that these inspectors audit the outgoing mail flow of these customers, render a determination as to

which items meet the definition of "urgent" for purposes of postal regulations, and demand the mailer's agreement to pay the Postal Service the equivalent of first-class postage for supposedly "non-urgent" items sent by private express. Apparently this is in addition to the rates paid to private carriers for carriage of the items in the first place.

I have previously corresponded with you on this subject. I am a staunch supporter of universal service and have helped the Postal Service to resist unwise privatization initiatives in the past. However, the Postal Service itself recognized the necessity for some exceptions to the private express statutes when, in 1979, it issued 39 C.F. section 320.6, "Suspension for extremely urgent letters." In the Postal Service's own language therein, "(i)t will be conclusively presumed that a letter is extremely urgent and is covered by the suspension if the amount paid for private carriage of the letter is at least three dollars or twice the applicable US postage for First-Class Mail (including priority mail) whichever is greater." In other words, the Postal Service can fix the private competitor's price at a minimum of twice its own, and leave it to the mailer to make the determination whether overnight carriage of an item is sufficiently "urgent" to warrant paying twice the postage.

Now, it seems—even if all other aspects of the regulation have been complied with—the Postal Service is concerned about the amount of mail deemed "urgent" by the consumer, in accordance with the Postal Service's own conditions. Therefore, the Postal Service is disregarding its own market-driven definition, and presuming to substitute its judgment for the paying consumer's as to what is urgent. Please respond to this characterization and provide full information as to whether and in what respects you agree or disagree. Also, please inform me of the status of the program of audits of private and government customers by postal inspectors, and whether you intend to suspend, continue, or modify this practice.

Answer: The facts are that if the customer considers private carriage to be important enough to pay \$3.00 or twice the postage, whichever is greater, then as the regulation says, that is the end of it. We do not look behind that in any way. Where the second-guessing charges have come is in relation to situations where the shipper is indisputably paying less than that amount. The shipper can still qualify for the suspension by meeting a very restrictive alternate test. The letter has to be both (1) actually delivered within some very tight same-day or over-night time limits, and (2) subject to losing its value, in the sense that something that was supposed to happen can no longer happen (for example, missing a publishing deadline), if it arrives a little late. What we often find is a situation where a company wants to save up letters intended for a common destination over several days, and then dispatch them in bulk by private courier at the last minute, to get a cheaper bulk rate. That does not meet the requirements of the Extremely Urgent Letter Suspension.

What we have done with our program is recognize that we have to do a better job educating and working with our customers. The mail-room personnel and other shippers who use private couriers are our own customers too, after all. The first they hear about Private Express rules should not be from a postal inspector. Our marketing people need to be in there helping them understand the rules, and if needed, helping them get their practices in compliance. We still have to enforce it, it's the law, and it's the foundation for our universal service as you suggest. But we need to start with helping our customers comply.

Question: Presidential Executive Order No. 12072 requires government agencies, when considering locations of facilities in urban or community settings, to locate in central business districts whenever possible. This of course reflects a government commitment to assist in maintaining the vitality of established communities, rather than contributing to the ongoing drain of business activities from urban and community centers. I am concerned about whether the Postal Service complies with Executive Order No. 12072, or even considers itself obligated to do so. I point out that I am familiar with instances in which the Postal Service does not deem itself bound

mandatory by an executive order, yet chooses to comply with it "voluntarily." Does the Postal Service regard Executive Order No. 12072 as legally binding upon it, or merely permissive, and if the latter does the Postal Service voluntarily endeavor to comply with it? Who at the Postal Service makes the determination which Executive Orders are binding upon it, and whether or not to conform to those deemed merely "voluntary?"

Answer: Executive Order No. 12070 is grounded in a law that does not apply to the Postal Service, and it furthers a general federal policy that is not consistent with the specific policies governing and guiding the Postal Service. Thus, it has not been adopted as a rule or regulation of the Postal Service, and the Postal Service does not comply with its directives.

Executive Order No. 12070 was issued by President Carter on August 16, 1978, by authority of section 205(a) of the Federal Property and Administrative Services Act of 1949, as amended. 40 U.S.C. 486(a). By its own terms, that Act does not "impair or affect any authority of ... the United States Postal Service", 40 U.S.C. 474(15). It is thus clearly among the federal laws dealing with federal contracts, property, and similar matters that do not apply to the exercise of the powers of the Postal Service. 39 U.S.C. 410(a). As a matter of law, an Executive Order issued under the authority of such a law would not be applicable to the Postal Service.

When, in the opinion of our legal counsel, an Executive Order is not applicable to the Postal Service as a matter of law, the executive officers of the Postal Service consider, as appropriate, whether to adopt the Executive Order as a rule or regulation of the Postal Service. Such decisions are based on various factors, including but not limited to the consistency of the Executive Order with the statutory mission of the Postal Service, the possible advantages of compliance, and the potential impact of compliance on the Postal Service, including considerations of cost, service, and effect on employees.

The policies expressed in Executive Order No. 12070 were not consistent with the Postal Service's statutory mandate, in planning and building new postal facilities, to emphasize "desirable working conditions for its officers and employees, a maximum degree of convenience for efficient postal services, proper access to existing and future air and surface transportation facilities, and control of costs to the Postal Service." 39 U.S.C. 101(g). While the Postal Service undertakes to maintain consumer postal facilities in central business districts, it is inefficient and unduly expensive to locate major mail processing facilities there. Operational requirements and costs dictate that mail processing facilities be located near major transportation routes, and modern mail processing equipment and processes require large, single-level facilities and substantial areas for vehicular access, storage, and maneuvering. On a national basis, these needs can seldom be met in central business areas at reasonable cost; thus, the Postal Service has not adopted Executive Order No. 12070 as a rule or regulation.

Question: Under the Postal Service's "performance Incentive Plan," additional compensation may be made to postal employees if survey results show that a sufficiently high percentage of postal customers in their region rate their mail service as "good" or better. I and others of my colleagues have, in the past, questioned whether executive bonuses are appropriate at a time when the Postal Service faces financial constraints—now more ever, when a postal rate increase is pending. You have indicated, however, that performance incentives should not be construed as "bonuses".

In one sense, I agree with you: "Bonuses," to the average person, are awards made on the basis of exceptional, rather than expected, performance. Heartening as it is to learn that a high proportion of the public considers their service "good," I submit that the same can probably be said of any number of publicly supplied services. Yet, I think you must agree that taxpayers would be less than pleased to find that municipal workers, or sanitation employees, or telephone company service persons were receiving extra pay for essentially, doing their job satisfactorily. I would appreciate your response to these comments, and also a report on the current status and

amount of performance incentive awards and any plans you may have to review the merits and criteria of this program.

Answer: I understand your concerns about the financial performance and executive compensation practices of the United States Postal Service. It was with these same concerns in mind that the fiscal year 1994 executive incentive plan was designed. First of all, let me clarify that the executive incentive plan is based on meeting challenging goals for our three strategic objectives, not just customer satisfaction. The plan provides a balanced focus on financial performance, commitment to employees, as well as customer satisfaction. Furthermore, as I stated in the March 24 Subcommittee Hearing, awards in these three areas will be paid out only if we meet our national financial objective. This is a key feature of the current executive incentive plan—nothing will be paid out unless we meet our financial plan of a \$1.344 billion net loss. I recognize that it sounds unusual to the general public to have an objective of a \$1.344 billion net loss. Furthermore, consistent with the Postal Service's long run financial goal to break even, periods of net losses are expected. As you know, to break even over a three to four year period between rate increases, requires a positive net income in the years immediately following a rate increase, and net losses in the years as we move farther away from a rate increase. Therefore, it is quite reasonable to set an ambitious financial objective and compensation plan for executives that includes a planned net loss goal. As for your comments concerning providing awards for "expected" or "satisfactory" performance, the goals that we have established for each of our three objectives are based on improvement over past performance levels. Our incentive program does not reward status quo performance. In fact, the program is designed to drive continuous improvement and break through levels of performance. The national customer satisfaction goal was set at two (2) points higher than last year's level. Similarly, customer satisfaction goals at the local level were set at varying levels above last year's performance.

Regarding our commitment to employees, our national and local goals are to improve upon the 1993 ratings on our internal employee opinion survey. As for financial performance, ambitious national and local net contribution goals were established which include commitments to generate new revenue and control expenses, recognizing the impact of the rate increase cycle as discussed above.

We have made no payments to date under the executive incentive plan since we are only half way through the fiscal year. Payments, if any, will only be made after a review of the entire fiscal year performance. Regarding our status at this juncture, we are behind our national objectives for financial performance—\$544 million below plan as of Accounting Period 7. If this shortfall from plan continues through the end of the fiscal year, no awards will be paid under the executive incentive plan. The Customer Satisfaction Index (CSI) remains at its end of fiscal year 1993 level of 89, which is two (2) points behind our goal of 91 for the fourth fiscal quarter of 1994. The Employee Opinion Index (EOS) measure is scheduled to be surveyed in July with results due in August.

Questions Submitted by Senator Stevens

The latest rate request has generated a lot of support from the mailing community. Most people have focused on the statement that this rate increase represents a 10.3% across-the-board rate increase. However, we have recently learned that that might not actually be the case. I am speaking in particular of the second-class in-county rate paid by small newspapers throughout the country, including in my state.

The information we have received indicates that instead of a 10.3% rate increase, these small newspapers are faced with a whopping 34% to 35% increase in rates!

Question: How can the Postal Service justify that increase? What has changed in this particular class of mail to warrant such a dramatic increase? If the Postal Rate Commission review shows that such an increase is justified, what latitude does the Postal Service or the Postal Rate Commission have to mitigate the effect on small newspapers? Can the new rates be phased-in over time?

Answer: Postal Service ratemaking data systems indicate that the volume of second-class in-county mail has declined and its processing costs have increased at higher than normal rates between FY 1989, the base year of the most recent rate case (Docket No. R90-1), and FY 1993, the base year of the current rate case, Docket No. R94-1. Consequently, the estimated unit attributable costs for this subclass have increased at a higher than normal rate. As required by 39 U.S.C. 3622(b)(3), these unit attributable costs serve as the foundation on which rates for preferred mail categories are calculated under the terms of section 3626(a).

We are concerned about the impact of the increase we have proposed. For this reason, we have met with representative second-class in-county mailers and undertaken a review of our costing data systems to re-evaluate the data underlying our current rate proposal. If any errors are detected, necessary corrections will be made.

Because of the requirements of sections 3622(b)(3) and 3626(a), the Postal Service and the Commission have little latitude to mitigate preferred mail rate increases which, as the ones we have proposed, appear to be exclusively cost-driven.

The implementation date of any rates resulting from Docket No. R94-1 is a matter reserved to the discretion of the Board of Governors who, in determining whether they could phase-in any particular rate increase, would have to consider such factors as the effect of a phase-in upon breakeven in the test year and the likelihood of claims of undue discrimination by other mailers who may consider that there are equally compelling reasons to defer or phase-in the rate increases they face. Second-class in-county mail is not the only mail class or postal service for which we have found it necessary to propose an increase significantly higher than 10.3 percent. Currently, we are focused on insuring that our second-class cost and volume data are correct. We have not foreclosed the possibility that corrections to those data may lead to a result other than that which we have proposed for second-class in-county mail. Since we do not expect to receive the Commission's recommended decision on this matter for a number of months and cannot predict what it will be, postal management has not yet considered any rate implementation alternatives which deviate from universal implementation.

Question: Mr. Runyon, when you arrived on the postal scene in mid-1992, I understand that you made a commitment to the Board of Governors to remain for four years in order to provide some continuity for the Postal Service. You are nearing the half-way point of that four-year period--what is your vision for the Postal Service during the remaining two years of your commitment?

Answer: The words that our Leadership Team, which includes our officers and the leaders of our management associations and major unions, has adopted for our vision of the future are: "Our postal products will be recognized as the best value in America. We will evolve into a premier provider of 21st century communications and will be regarded as the most effective and productive service in the federal government and the markets we serve."

To me, these words mean that the Postal Service will emerge from its present period of adjustment to the restructuring and other significant changes we have made and begin to focus on the significant cultural changes that are necessary to accomplish our goals of customer satisfaction, commitment to employees, and income revenue generation. We need to assure that our service is excellent, our finances are sound, and that our employees are working in a participative environment of respect and dignity. While we are taking care of our core business, we also must plan for the future, including defining our role in the electronic mail arena. Our customers' needs are changing, and we need to change with them to remain a viable provider of first resort.

Ultimately, when our customers think about the Postal Service, I want them to perceive us as credible, accountable and competitive. Our people should regard us as a good to work for, fair to employees, and committed to employee satisfaction. Our customers should regard us as a good competitor, providing reliable and essential services at fair rates. Excellence in the Postal Service should be the byproduct of modern practices, good management, a lean organization, efficiency, productivity, and quality. Our customers and employees should be able to believe what we say. Then we will be regarded as the best in industry and the federal government and as a civic citizen that is vital to our nation.

All of this is what we will be working toward in the years ahead.

Question: There have been reports in the trade press that the Postal Service is exploring discounting arrangements with certain vendors of Postal Products. These reports indicate that these vendors would be required to contract exclusively with the Postal Service for these products. I assume this means products such as express mail, two-day Priority Mail, and similar products.

Please explain what kinds of discounting you are considering and why exclusivity would be required. The private carriers with whom you compete do not require exclusivity. How can the Postal Service realistically expect themselves to stop using all other vendors and give the Postal Service exclusive access to their customers?

Answer: The Postal Service is losing market share to these "pack and send" businesses. Accordingly, we are exploring all options to increase the use of our products through these outlets. However, our plans are not final and we must advise our senior management on any new proposals prior to any public announcement. We will keep the committee informed of any proposed changes.

Question: I understand that as an attempt to combat credit card mail fraud, the Postal Service is considering changing its mail delivery sequence file system to list all addresses of CMRA's and Post Office Box locations as part of this file system. Can you explain how this process will work and what benefit it will provide the postal customer?

Answer: The Postal Service maintains a database called the Delivery Sequence File (DSF) which contains addresses for all delivery points nationwide. Each address record in this database also contains additional information such as:

- o Whether a delivery point is a residential or business delivery.

- o Whether a delivery point is a post office box or street delivery.
- o Whether a delivery point is a long term vacancy.
- o Whether a delivery point is a multi-unit dwelling or single delivery.
- o The sequence number of a delivery on a carrier's route.

We make DSF information available through a select group of Postal Service licensees to allow customers to correct their mailing lists and to take full advantage of discounts we offer for the work mailers do that saves us time in sorting and delivering the mail. DSF data contains only delivery point addresses, and it does not include the names of individual residents.

In order to combat credit card fraud, the Postal Service, on the recommendation of the banking industry, and the Inspection Service plans to modify its DSF to identify addresses which are commercial mail receiving agencies (CMRAs). One form of credit card fraud consists of submitting an application for a credit card under a fictitious name. Perpetrators of this type of fraud may use an address provided by a CMRA as a means of avoiding detection. Credit card companies have asked the Postal Service to help them detect such fraud by identifying CMRA agencies. The Postal Service has concluded that the identification of CMRA addresses would be an effective tool in combating credit card and other types of fraud.

The modification of the DSF will disclose information for the purpose of identifying and address as belonging to a CMRA and no other information concerning CMRAs or their customers will be disclosed.

Question: Who would have access to this information and under what circumstances?

Answer: As explained above, our customers have access to the DSF through Postal Service licensees only to correct their mailing lists.

Question: Will Post Office Box locations and CMRA locations be treated identically, or will there be some difference under this proposed system?

Answer: A post office box address has always been identifiable as such because "P. O. Box" is an integral part of the address. An address provided by a CMRA, however, may appear to be a typical residential or business address. Therefore, the modification of DSF will result in equal treatment of CMRA and post office box addresses.

Question: What is the procedure for adoption of this proposed change?

Answer: The change will be implemented by an interim rule that will become effective 30 days from the date of publication in the Federal Register. The Postal Service will follow the advance notice requirements of the Administrative Procedure Act regarding rule making (5 USC 553) and invite interested persons to submit written comments concerning the interim rule. These comments will be considered before a final rule is adopted.

Question: The Postal Service has a policy prohibiting the forwarding of mail from a CMRA (commercial mail receiving agent) to another address either by the customer filling out a change of address form or by permitting the CMRA operator to put "forward" on the address. This causes much consternation among customers and operators of CMRA's which are required to individually mail all mail received by a past customer to that customer's new address. I understand that this is not the case with your own Post Office Box customers. What is the justification for this policy? Why will you not permit users of CMRA's to have the same ability to provide for change of address and mail forwarding that you permit all other customers in the postal system? What is the justification for this special treatment of CMRA customers who are ultimately postal customers?

Answer: The Postal Service spends in excess of \$800 million each year to forward our own customers' mail (including that of Hospitals, Universities, and other institutions), that continues to be mailed to their old addresses. We believe CMRAs should provide mail forwarding for their customers as part of their cost of doing business just as we do for our customers. Moreover, CMRAs, when accepting Postal Service Form 1583, *Application for Delivery of Mail Through Agent*, agree that "...all mail, including letters and other First-Class Mail, delivered to the agent under this authorization must be prepaid with new postage when redeposited in the mails."

Our view is that it would be unfair to our regular ratepaying customers, who would in effect be subsidizing part of what we consider a CMRA cost of doing business, for the Postal Service to provide free forwarding of mail to CMRA customers when they move.



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